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Accounting Depreciation versus Tax Depreciation

L.D. Cuc, L. Cernușca

Lavinia Denisia Cuc

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Lucian Cernușca

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The objective of the article is to emphasize both theoretical and practical the method of highlighting in accountancy the fiscal and accounting amortization viewed from the perspective of Romanian and international point of view. Accounting amortization is determined on the basis of depreciation provided by the terms of the register on classification and the terms regulated by the fixed assets, beginning with the following month in which the asset is depreciated and brought into operation in order to be used. Accounting amortization is determined on the basis of a depreciation plan, which is done by a professional accountant considering as a starting point the useful economic life terms and conditions of use of the fixed assets. . If from the point of view of tax settlement in force provide for a limit value of 2,500 lei from assets falling under category amounted, in terms of accounting there is no such limit. The current settlement of the Romanian accounting approved by order No. 1802/2014 provides for the structure of the chart of accounts and the general accounts related to deferred taxes. Entities which fall within the above mentioned settlements will treat the issue of accounting depreciation versus tax depreciation in an extra accountancy method.

Keywords: OMFP No.1802/2014, accounting depreciation, tax depreciation, IAS12, The statement 101, deferred tax

Introduction

In practice, the experts and licensed accountants meet the concepts of accounting depreciation and tax depreciation as well as the differences between them. The accounting depreciation is determined by applying the depreciation allowances on the value of the management the noncurrent asset and the revalued amount of the asset. *The noncurrent asset is calculated from the month following the start-up to the full recovery of its value. At the determination of the depreciation of the tangible assets, (property, plant and equipment depreciation), are taken into account the economic useful lives and the conditions of their use (point 238 paragraph (2), OMFP no.1802 / 2014).* Tax accounting depreciation is calculated on the basis of the normal useful life established in the Standard and the normal useful life of fixed assets starting from the next month following in which the depreciable asset is put into service. (Rapcencu, 2012. pg. 222). A distinction must be made between the economic useful life defined in the Order (Regulation) No. 1802/1414 and the normal useful life set out in the Fiscal Code.

When the company acquires a noncurrent asset, in order to calculate the accounting depreciation, accounting experts choose in most situations for an economic useful life equal to the normal useful life. Accounting experts use this fact, precisely because of the rather strict provisions of the Romanian tax legislation. For the companies applying the Order no.1802/2014 the issue of "accounting depreciation versus tax amortization" can be solved extra accountant. At the end of the financial year, the professional accountants will highlight in the Statement 101 "The statement regarding the income taxes" in the row no.28 the accounting depreciation, and in the row nr.14 the fiscal depreciation. For the companies applying Order No. 2844/2016, professional accountants will have at the disposition the provisions of IAS 12 "Income taxes" in order to solve the issue of "accounting depreciation versus tax depreciation". The Charts account approved by Order no. 2844/2016 has introduced deferred tax accounts precisely to help solve the issue of "accounting depreciation".

Research issue

The aim of this article is to investigate accounting depreciation versus tax depreciation.

Literature review

Within the specialized literature, there were, among time, various approaches connected to the accounting depreciation versus the tax amortization. Cernușca (2017) brings into discussion the main provisions regarding the property, plant and equipment depreciation for the companies within the Order 1802/2014 and the Order 2844/2016 application area. The companies within the Order 1802/2014 application area take into consideration only the accounting depreciation while the tax depreciation is calculated only out of the accounting area. The companies applying the IFRS will appeal the IAS 12 „Income taxes” in order to emphasize the issue accounting depreciation versus tax depreciation. In order that the deferred taxes issue to find a solution within the Order 1802/2014, it is necessary a breaking of the accounting and of the taxation. Stoian (2001, p.164) considers that „the application within the economical practice of the IAS 12 „Income taxes”, both by the technical difficulties and by the decreasing in time of the financial resources at the public budget, will create for the companies a „respiration” period in paying the income tax. Rapcencu (2012) considers that „taking into consideration the provisions quite rigid of the tax law from Romania, most companies choose an economic useful life equal to the one allowed from the taxation point of view”.

The decisional staff prefers choosing the economic useful life within the Fixed Assets Catalog. Cernușca (2013) brings to front the exemplifying of the situations when the accounting depreciation is different from the tax depreciation. Tudor (2017) brings into discussion the issue of the accounting depreciation versus the tax depreciation in the case of the fixed assets’ revaluation, both in the situation when a fixed asset’s value increases or decreases. Aspects regarding the deferred taxes correlated to the fixed assets’ revaluation are also debated by Popa (2011).

Tulvinschi (2012) considers that „the existence both of an accounting depreciation and of tax depreciation represents an important step in eliminating the tax influence over accounting, but, many times, the accounting professionals are tempted, from convenience, to introduce the rules of the tax depreciation into accounting.” Burlea (2014) aims to study and to present the problems related to the calculation of fixed assets’ depreciation in accordance to the legislation of the republic of Moldova and to reveal the strengths of the neighbor-ring countries’ legislation in this field. Ristea&Dumitru (2012) aims for a breaking of the accounting and of the taxation: Only in this way, the deferred taxes issue will find a solution within the Order 1802/2014.

Research methodology and the results of the study

In order to reach the research objectives, it is used the case study, as a qualitative research method. The authors propose, by the case study, to introduce new accounts regarding the deferred taxes in the Order 1802/2014 content. The case study brings into discussion the issue of the tax depreciation versus the accounting depreciation in the context of introducing new accounts regarding the deferred taxes within the Order 1802/2014 content.

Case study: Company X acquires on 23.12.N-1 equipment for drilling oil and gas wells for use in production. The cost of acquisition of the asset is 140,000 lei + 20% VAT.

Case A) Enterprise X applies Order (Regulation) No 1802/1414.

• From the accounting point of view:

a) Purchase of equipment from the supplier:

%	=	404	<u>168.000</u>
2131		"Suppliers"	140.000
"Equipment"			
4426			28.000
"Deductible value added tax"			

b) Paying suppliers

404	=	5121	168.000
"Supplies"		"Bank"	

c) Establishment of accounting depreciation and economic useful life

From the accounting point of view, the management of the enterprise appreciates, given the specificity of the activity, that the economic useful life of the equipment is 4 years and decides to ignore the residual value of the good. The equipment is put into operation on 01.01.N.

d) Depreciation basis and depreciation method used

The enterprise uses as the basis for calculating equipment depreciation the acquisition cost.

Enterprise management opts for straight-line depreciation method:

$$A=140.000 \text{ lei}/4 \text{ years}=35.000 \text{ lei/year}$$

The annual depreciation is recorded as follows:

6811	=	2813	35.000
"Operating depreciation expense"		"Plants and vehicles depreciation"	

- From fiscal point of view (tax point of view)

a) Determining tax depreciation and normal useful life

The normal useful life of use is established on the basis of the Catalog of Classification and Normal Useful Life of Fixed Assets (property, plant and equipment). According to the Catalog on Classification and Normal Useful Life of Property, Plant and Equipment, the asset acquired by the enterprise is found in:

- Group 2 "Plant, means of transport, animals and plantations"
- Subgroup 2.1 "Technological Equipment"
- Class 2.1.2 "Geological and geophysical prospecting drilling and oil and gas extraction"
- Subclass 2.1.5.2. "Machinery for drilling oil and gas wells"

To this identification code (2.1.5.2 "Oil and gas well drilling machinery and installations") corresponds a normal useful life between the ranges of 5 to 9 years.

In order to determine tax depreciation, the enterprise's management decides to use a normal life of 8 years.

From the tax point of view, once the duration is set, it can no longer be changed.

b) Depreciation basis and depreciation method used

The company decides to depreciate the equipment from the tax point of view by straight-line depreciation method.

$$A=140.000 \text{ lei}/8 \text{ years}=17.500 \text{ lei/year}$$

In the financial year N-N + 3 the annual accounting depreciation (35,000 lei) is higher than the annual tax depreciation (17,500 lei) and therefore is considered non-deductible the amount of 12,000 lei per year (in total 17,500 lei * 4 years = 70,000 lei). Only the tax depreciation is deductible in determining the tax profit. For the following years, the enterprise will benefit from a tax depreciation of 17,500 lei per year.

Financial year	Accounting depreciation	Tax depreciation	Tax deductible amount	Tax not deductible amount
N	35.000	17.500	17.500	17.500
N+1	35.000	17.500	17.500	17.500
N+2	35.000	17.500	17.500	17.500
N+3	35.000	17.500	17.500	17.500
N+4	-	17.500	17.500	-
N+5	-	17.500	17.500	-
N+6	-	17.500	17.500	-
N+7	-	17.500	17.500	-
Total	140.000	140.000	140.000	70.000

Table 1. The situation in which the economic useful life (4 years) is less than the normal useful life (8 years)

In Statement 101 "The statement regarding income taxes" approved by Order of the ANAF President no.3386/2016, line 11 is filled with the amount representing the tax depreciation determined according to the provisions of art. 28 of the Fiscal Code and in row 28 is highlighted the value of the depreciation expenses recorded in the accounting.

Financial year	Tax depreciation Row no. 11 Regulation ANAF no.3386/2016	Accounting depreciation Ro no. 28 Regulation ANAF no.3386/2016
N	17.500	35.000
N+1	17.500	35.000
N+2	17.500	35.000
N+3	17.500	35.000
N+4	17.500	-
N+5	17.500	-
N+6	17.500	-
N+7	17.500	-
Total	140.000	140.000

Table 2. Highlighting accounting depreciation and tax depreciation in the Statement 101

Case B) Enterprise X applies IFRS and falls within the scope of Regulation No. 1802/2014.

We assume that the accounting profit is constant for 8 years and is equal to the amounts of 500,000 lei.

Taxable profit = Accounting profit + Accounting depreciation - Tax depreciation

Financial year N:

Accountant profit: 500,000 lei

Taxable profit = 500,000 + 35,000 - 17,500 = 517,500 lei

Current tax = 16% x 517.500 lei = 82.800 lei

Current tax registration of current profit:

"Income tax expense" = "Current profit tax" 82,800

The accounting result < The tax result → deductible temporary differences in the amount of 17,500 lei

A deferred tax asset is recorded = 17,500 lei x 16% = 2,800 lei

Recording of deferred tax:

"Deferred tax profit" = "Deferred tax income" 2800

In exercises N + 1, N + 2 and N + 3, the situation is the same as in N (financial year N).

N + 4 exercise (financial year N + 4):

The accounting result: 500,000 lei

Tax result = 500,000 + 0 - 17,500 = 482,500 lei

Current tax = 16% x 482.500 lei = 77.200 lei

The accounting result > Taxable result → taxable temporary differences of 17,500 lei → (500,000 - 482,500) lei

A deferred tax liability is recorded = 17,500 lei x 16% = 2,800 lei

"Deferred tax expense" = "Deferred tax profit" 2.800

In the exercises N + 5, N + 6 and N + 7 financial years, the situation is the same as in the financial year N + 4.

Deferred tax liability and deferred tax asset are shown in the table below:

Financial year	The accounting result	The fiscal result	Current tax	Deferred tax liability	Deferred tax asset
N	500.000	517.500	82.800	-	2.800
N+1	500.000	517.500	82.800	-	2.800
N+2	500.000	517.500	82.800	-	2.800
N+3	500.000	517.500	82.800	-	2.800
N+4	500.000	482.500	77.200	2.800	-
N+5	500.000	482.500	77.200	2.800	-
N+6	500.000	482.500	77.200	2.800	-
N+7	500.000	482.500	77.200	2.800	-
Total				11.200	11.200

Table 3. Deferred tax liability and deferred tax asset

Conclusions

The Order no.1802/2014 does not provide in the structure of the General Chart of Accounts, the accounts that refer to deferred taxes. We consider that it would be necessary in the future for this regulation to assimilate the provisions of the IAS standard 12 "Income taxes" and the General Accounts Plan to provide accounts in its structure that refer to deferred taxes. But to be feasible this fact, it is necessary to disconnect the accounting from taxation. Those companies falling within the scope of Order no. 2844/2016 may appeal to the application of the International Financial Reporting Standards (IFRS) in order to solve the issue of "accounting depreciation versus tax amortization".

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The Restatement of the Balance Sheet - a Traditional Controversy

B.C. Gomoi, R.C. Almasi, M.F. Pantea

Bogdan Cosmin Gomoi

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Robert Cristian Almasi

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Mioara Florina Pantea

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The present work tries to bring into front the “yawn” that comes out between accounting and financial management concerning the informational content of the balance sheet. Thus the form of the balance sheet delivered by accounting does not correspond to the demands of the financial management. In this regard, there are necessary several restatements arousing an amount of controversies.

Keywords: balance sheet, restatement, accounting, financial management, controversy.

Introduction

The use of the information within the financial statements sometimes requires, in advance, a restatement of the balance sheet. The differences between the balance sheet and the balance sheet used by the financial analysts are significant, the causes being numerous, especially when we talk about the calculation of the stock indicators projected in the financial management analyzes of the entity.

The accounting information recorded in the financial statements is the result of applying the conventions in order to represent the economic reality, materialized by more specific accounting principles, norms and techniques.

Therefore, the quality of the accounting information is also affected, both by the subjectivism of the accounting information providers and by the legislative gaps that give rise to dual interpretations of the records of the accounting operations. Despite the efforts of the Romanian regulators in order to eliminate, or at least to reduce the degree of rigidity of the accounting system, the financial statements are still under the rule of the tax influences and of the the information asymmetry exercised by the entity's decision makers.

Literature review

The approach of this paper is, obviously, not an exhaustive one, concerns related to this issue manifesting other various foreign and Romanian authors, both professors from higher education and representatives of the business environment, nationally and internationally, as well as locally. Within the specialized accounting, tax and financial literature, there were, among time, different and numerous approaches related to the balance sheet, both as an accounting instrument and its restatement, in order to be appropriate for the financial management.

Research methodology

In order to reach the proposed research objectives, it is used the case study, as a qualitative research method. It is also combined with other well known research methods, such as: the analysis, the synthesis, the induction or the deduction.

Research results

A mediation of the conflict of suppliers and, respectively, users of accounting information, at the level of information, can be achieved through the procedure of restatement of the financial statements.

These operations can be grouped into three broad categories, namely:

- Reclassifications by period;
- Elimination of non-values;
- Revaluations.

The operations of reclassifying the financial structures according to the period require a regrouping of these structures, so that, on the one hand, the fixed assets are well delimited by the current assets, while the liabilities must be grouped into the three main categories: equity, term debt and treasury debt, respectively.

Thus, in the explanatory notes of the financial statements, the entity provides information regarding either the liquidity of the assets or the term of liability of the liabilities.

In the case of a company, in the explanatory notes, the debts should be classified in receivables receivable in one year, and respectively debts with a maturity of more than one year. As these situations show, there is no need for debt portfolios on the balance sheet, as all receivables are due in less than a year, as an unwritten rule of financial practice says.

As for the debts, they are divided into 3 categories: debts under 1 year, debts between 1-5 years and, last but not least, debts over 5 years. It is important to check if there are debts contracted for periods longer than 1 year, but which have become due within 1 year, i.e. if the entity is in the last year of payment.

A special case is represented by the debts regarding the operational leasing, which does not imply the transfer of the rights and risks related to the acquired asset representing the object of the leasing contract.

The accounting of operational leasing contracts is also a paradigm of accounting, as it fails to reflect at the same time the economic reality and, at the same time, also respects the requirements of the accounting rules.

While the assets acquired through financial leasing are included in the balance sheet of the lessee, the operating lease provides for the registration only off the balance sheet of the fixed assets.

Such treatment leads us to a significant deformation of the informational valences of the balance sheet, since only the flow indicators support the operational leasing operation, through the constant expenses with the rent recorded in the profit and loss account.

However, at the balance sheet level, improvements in the degree of indebtedness are obtained, and at the same time a deliberate decrease in the size of the assets. Moreover, at the level of financial performance, we obtain a higher return on assets and equity, the recording in the first years of a higher profit margin, and, last but not least, a balanced allocation over all future years of initial investment of the lease.

In order not to fall prey to this trap, analysts make a restatement of the balance sheet, by adding to the assets value the value of the asset acquired through financial leasing, increasing the value of financial liabilities with the present value of the remaining leasing rates and, at the same time, incorporating into the amount of the equity of the difference between the value of the asset and the present value of the remaining lease rates.

For example, in the case of the purchase of an equipment of 1,000,000 lei, suppose that one opts for financing in operational leasing regime, for a period of 5 years. The leasing company calculates the yearly leasing rate, receiving a profit margin of 15% of the value of the equipment, representing an annual amount of 30,000 lei. It also has an yearly linear depreciation of $\frac{1.000.000 - 150.000}{5} = 170,000$ lei. So, the yearly leasing rate, paid by the tenant, rises to an amount of 200,000 lei. In the case of the operational leasing, the entity records the assets "acquired" for use only in the off-balance sheet accounts.

The amounts paid are recorded in the entity's accounting as an expense in the profit and loss account, during the lease period. Consequently, our entity must operate on adjustments to the balance sheet level, adding to the amount of long-term debt the amount of $200.000 \cdot \frac{1 - (1 + 0.1)^{-i}}{0.1}$, where "i" represents, the period, in years, of the remaining repayment.

We note that, over time, the total of the updated payments related to the lease contract decreases, concurrently with an improvement of the marginal debt of the entity:

Year	Updated leasing rate	Net book value	Marginal degree of indebtedness
5	181.818 lei	830.000 lei	0,0018%
4	347.107 lei	660.000 lei	0,0023%
3	497.370 lei	490.000 lei	0,0027%
2	633.973 lei	320.000 lei	0,0031%
1	758.157 lei	150.000 lei	0,0035%

Table no. 1. The updated leasing rate, the net book value and the marginal degree of indebtedness within a certain Romanian company among 5 years
(Source:own research)

As such, for the analysis of the financial statements from the fourth year of the asset's use, the financial analysts must make the following adjustments within the taken into consideration company's balance sheet:

	<i>N</i>	<i>N_{adjusted}</i>	%
Non-current assets	22.243.002.582 lei	22.243.349.689 lei	0,002%
Current assets	4.413.732.144 lei	4.413.732.144 lei	0,000%
Short-term liabilities	3.561.335.579 lei	3.561.335.579 lei	0,000%
Long-term liabilities	2.822.317.311 lei	2.822.664.418 lei	0,012%
Equity	14.056.147.239 lei	14.056.147.239 lei	0,000%
Indebtedness rate	23,95%	23,95%	0,0023%

Table no. 2. Adjustments necessary within the balance sheet in the fourt year of use of a leasing purchased asset at the Romanian company taken into consideration
(Source:own research)

The law concept of the balance sheet, defined as “rights algebra”, cannot accept the registration of the equipment within the balance sheet, as opposed to a long-term financial debt.

Moreover, such a solution induces a flagrant violation of the principle of non-compensation, if we explain the opportunity of such treatment by the null mathematical influence on the balance indicators. In addition, the construction of financial indicators is affected, except for those aimed at the financial balance, because they balance such treatment through their aggregates. Therefore, the only possible corrective direction would be that indicated by the Anglo - Saxon system, by observing the principle of economic prevalence over the legal.

However, such an approach is practically useless, as long as the balance sheet is rather a measure of the solvency coefficients.

The elimination of the non-values represents the operations of restatement of the balance sheet, which come to the aid of the financial analysts, in order to provide a breath of accuracy to the accounting information deducted from the financial statements.

In other words, any financial structure that does not generate flow changes in the income statement, or in the cash flow statement, or no longer has certainty, must be eliminated from the financial statements. Therefore, within the balance sheet it is not justified a listing of the unsold stocks, or of the receivables that by a court decision prove to be non-recoverable.

In the case of the Romanian company taken into consideration, it is the high percentage of the size of the receivables - clients covered by specific constituted adjustments, namely of 48.55%. A value of 594,741,765 lei represents a value not to be neglected, which must be eliminated from the financial balance.

As we have already mentioned, the expenses of incorporation should be the object of the record in the balance sheet, an approach as a result is necessary and sufficient, and the examples can continue. All these, in counterpart, are found by decreases in the size of the equity.

The revaluations are considered strictly necessary, as long as the fair value is considered the most realistic valuation basis used in the financial analyzes. However, an accrual accounting in historical costs does not allow an expression of the present economic value of the financial structures of the financial statements.

The revaluation policy mainly concerns tangible fixed assets, whose fair value usually coincides with their market value. If it is proved that an assessed market value of these fixed assets cannot be identified, a balance of these balance sheet structures is used to the value of the replacement cost, less the corresponding depreciation.

Reassessment operations raise the issue of the timing and frequency of revaluations, since fair value has the disadvantage of being a volatile valuation basis. The only variable that remains to be treated in this context is the tendency of the accountants to capitalize the latent surpluses, obtained by revaluation, in the balance of the revaluation reserves, as components of the company's equity. Such a tendency is all the more justified as the entity wishes to contract a new bank loan, wishing to obtain favorable credit conditions, on account of an artificially low indebtedness rate. In this context, IAS 16 provides that "the increase recognized from the revaluation must be recognized as income insofar as it compensates for a decrease from the revaluation of the same asset previously recognized as an expense".

In the case of the fixed assets, it is allowed for the companies a fair value reporting of assets, by revaluation, which starts from the calculation model:

$$\begin{aligned} &\textbf{The fair value of the revalued asset} \\ &\textbf{- Related accumulated depreciation} \\ &\textbf{- Accumulated impairment losses} \\ &\textbf{= Reported net book value.} \end{aligned}$$

In contrast, a decrease in the carrying amount, obtained by a revaluation, must be recorded as an expense of the period, except where this decrease represents the result of a previous overvaluation, in which case "the decrease resulting from the revaluation must be deducted directly from the surplus from the revaluation corresponding to the same asset, insofar as the decrease does not exceed the value previously recorded as a surplus from the revaluation. Through OMFP 1802/2014, the Romanian accounting also aligns with the requirements of the international accounting reference, upholding the non-distributable character of the revaluation reserves, except "unless the revalued asset has been capitalized, in which case the revaluation surplus represents actual gain", this surplus from the revaluation being included directly in the item "Reserves" within the equity.

Therefore, a greater precaution is needed in establishing the reasoning for transferring value additions to the reserve account; as such an operation leads to the implicit change of the debt rate and automatically an improvement of the financial condition of the entity.

Therefore, if the present value of the benefits obtained through the use of an asset is not considered relevant, the valuation of the asset can also be carried out on revaluations, which require sufficient regularity to ensure a relative equality between the revalued value of the asset and its fair value.

We could take as an example the equipment having a value of 1,000,000 lei, purchased with payment on the spot, which generates yearly expenses with depreciation of approximately 142,857 lei. After 2 years it is decided to reassess it, under the conditions of existence indications of the initial value modification. Following the reassessment, a revalued value of 900,000 lei is ascertained.

In order to register into accounting the revaluation results, there are used two different techniques:

➤ The first technique, according to which it is operated at the concomitant revaluation of both the gross book value and the accumulated depreciation; the amount of the accumulated depreciation and the entry value of the asset is weighted by a correction coefficient;

➤ The second technique involves deducting the accumulated depreciation from the gross value of the asset, raising the level of the balance sheet value of the asset to the size of the revalued value, by increasing the balance of the revaluation reserves. If we use the second technique, we will find the following after 2 years of use:

Entry value 1,000,000 lei
Annual depreciation 142,857 lei
- Cumulative depreciation over 2 years 2×142.857 lei
Net book value 714.286 lei
Estimated fair value 900,000 lei
The positive difference from the revaluation 185,714 lei
Cumulative depreciation after adjustment 0 lei
Yearly depreciation after adjustment 180,000 lei.

It should be noted that the value of the revaluation differences is an essential component in the size of equity, especially in the case of entities with an industrial activity. Therefore, many financial specialists tend to manipulate the size of the account balance “Differences from reevaluation” when they want to access foreign sources of foreign financing, due to the opportunities to improve the degree of indebtedness, considered the basic criterion in granting bank loans.

However, the effects of the revaluations are a double-edged sword, as the volatility of the fair value at which the assets are to be reported does not provide a solid perspective regarding the subsequent analyzes of the managers regarding the assurance of the financial balance.

In addition, although fair value is an edifying evidence of future cash flow forecasts, it is under the auspices of subjectivism and relativism of perceptions regarding the value, utility, cost and time, in essence, the defining elements of the market value of an asset.

After 4 years of use, the entity decides a new revaluation of the equipment, taking into account that within year 3 funds were allocated for its repairs and its modernization, the consumption being recorded as expenses of the period.

Moreover, a new similar product has appeared on the market, with a high quality embedded technology. This time, the specialists establish the fair value of the equipment at a level of 300,000 lei.

The positive difference from the revaluation 185,714 lei

Revalued value 900,000 lei

Annual depreciation 180,000 lei

- Cumulative depreciation over 2 years $2 \times 180,000$ lei

Net book value 540,000 lei

Estimated fair value 300,000 lei

The negative difference from the revaluation 240,000 lei.

This difference will lead to a correction, with a “minus” of the net book value before revaluation, i.e. the equipment will be in the balance sheet from the value of 540,000 lei, to the amount of 300,000 lei, in contrast to the reduction of the balance, “Differences from revaluation” with the minimum value between its initial balance and the negative result from the revaluation, i.e. min (240,000 lei; 185,714 lei).

The difference not covered by the balance of the initial revaluation differences, amounting to 54,286 lei will also have to be recognized as an expense of the period. This expense, of course, leads to a diminution of the taxable mass of the profit, and, implicitly, to a smaller tax obligation to the state.

Such a practice would be considered advisable as long as the tax savings obtained from the non-deductibility of the depreciation fund related to the revalued equipment would be lower than the tax savings obtained from an artificial under-appreciation of the equipment.

Conclusions

Regardless of the option chosen by the entity, it is important that the size of the latent gains from the ownership and use of assets can only be distributed to the shareholders only at the exit of their management, at a sale price, which also includes the component of the latent gain, recorded in the balance of the capital account.

It should be noted that the value of the revaluation differences is an essential component of the equity, especially in the case of companies with an industrial activity.

For this reason, many financial specialists tend to manipulate the balance of the account "Differences from revaluation" when they want to access foreign sources of foreign financing, due to the opportunities to improve the degree of debt, considered the basic criterion in granting bank loans.

However, the effects of the revaluations are a double-edged sword, as the volatility of the fair value at which the assets are intended to be reported does not provide a solid perspective regarding the subsequent analyzes of the managers regarding the assurance of the financial balance.

In addition, although a fair value is a compelling proof of future cash flow forecasts, it is under the auspices of subjectivism and relativism of perceptions regarding value, utility, cost and time, essentially the defining elements of the market value of an asset.

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The Environmental Behavior of Students at Aurel Vlaicu University of Arad

F.S. Barbu, A.E. Spînu

Florentina Simona Barbu

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Adina Eleonora Spînu

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

Reviewing the existing theoretical and practical approaches shows that individuals with a high level of education become more aware of the environmental issues and develop an environmentally-friendly behavior. It is important that economists, relying on the accumulation of environmental knowledge acquired throughout the three years of study, to develop cognitive skills in order to put them into practice at the moment of the insertion into the labor market.

Keywords: ecological behavior, environmental knowledge, environmental concern, ecological consciousness, ecological education.

Introduction

Day by day we witness the devastating effects of environmental degradation. The degradation of the planetary balance has generated a "wake-up to a grim reality", an awareness of the need to protect the environment both among researchers, politicians, the business community, and among the population.

Research issue

This article aims to analyze the concern regarding the environmental protection, the ecological knowledge, the ecological sensitivity and the ecological behavior of the students within the Faculty of Economic Sciences from the Aurel Vlaicu University of Arad. We also want to emphasize the importance of the ecological education in shaping the pro-ecological behavior of students.

Literature review

The review of the specialized literature indicates an association between a high level of school education and the environmental concern (Klineberg et al., 1998, Torgler and García-Valiñas, 2007, Brecard et al., 2009, Singh, 2011; De Silva and Pownall, 2014; Meyer, 2015). Also the specialized literature indicates that although individuals have environmental knowledge and attitudes, they are not fully found in daily activities (Bamberg and Möser, 2007, Arbuthnott, 2009, Zsóka et al., 2013).

In the next table, we have grouped and described precursors of proecological behavior identified within the specialized literature.

Table no. 1. Precursors of proecological behavior

Precursors of pro ecological behavior	Description	Author
Environmental concern	an attitude that is related to environmental consequences	Gerrit and van Raaij, 1998 p.619 Klineberg et al., 1998; Fraj and Martinez, 2007 Xiao et al. 2013
	refers to the degree of emotionality, to the level of knowledge and to the readiness to change the behavior.	Maloney et al. 1975

ecological consciousness	environmental consciousness is shown to consumers who see the environmental concerns as purchasing decisions	Mostafa, 2007 Singh, 2011.
environmental knowledge	refers to the intensity of the environmental knowledge held by an individual regarding the environmental issues	Klineberg et al., 1998; Torgler and García-Valiñas, 2007 Brecard et al., 2009; De Silva and Pownall, 2014; Meyer, 2015
Healty lifestyle	choosing a lifestyle connected to an organic diet constitutes a return to the natural world	Von Essen, E., Englander, M. 2013.
	a healthy lifestyle often involves, among other things, the adoption of an environment-friendly behavior	Barbu F. (2015)

Research methodology and the results of the study

Our research was elaborated in order to provide an overview of the influence of the ecological education on the proecological behavior of students. We chose students from the 1st year (who did not study specialty courses on environmental protection) and students from the 3rd year who went through subjects such as Environmental Management, Ecotechnologies, Ecomarketing, Consumer Behavior, and Sustainable Development in order to highlight differences in the proenvironmental behavior of the students resulting from their education.

The main assumptions of the research are:

- 1) The level of environmental knowledge will strongly correlate with the intensity of the students' ecological education (Michalos et al., 2009)

2) Students in the 3rd year of study are more aware of the environment than students in 1st year, due to attending courses related to ecological education.

Testing hypotheses was done by administering a questionnaire, between March the 1st and the 15th, 2018, to 220 students from the 1st year of study and 200 other students from the 3rd year of study. The sample is not representative, but its size (420 respondents) makes possible the basic statistical analysis (frequencies and crosstab tables) and cluster data analysis.

After analyzing the data, we found that the level of environmental knowledge correlates significantly with the intensity of ecological education. Even the students from the 3rd year of study are more aware of the environment than the students from the 1st year of study because of the courses related to ecological education (hypotheses 1 and 2 are confirmed)

The knowledge that the students learn through the subjects Environmental Management, Ecotechnologies, Ecomarketing, Consumer Behavior, Sustainable Development contributes to the formation of future economists aware of the need of protecting the environment. Lutz et al., (2008) argued that education is fundamental to the process of economic growth and development. Through ecological education, Economics students acquire consistent environmental attitudes, they will be able to transpose the theoretical notions into practice and identify viable practical solutions in solving environmental issues.

Environmental education contributes to the understanding of the importance of environmental issues, to the need for rational use of natural resources, to the adoption of scientifically substantiated decisions in relation to nature, and, thus, to ecological behavior both in everyday life and in the future workplace.

Conclusions

The environmental education contributes to raising awareness of the external effects of students' behavior, as they become more concerned in protecting the environment and in social well-being. Ecological education brings behavioral changes based on knowledge.

Thus, the Economics students will approach economic and social issues, taking into account the imperatives of protecting the environment and respecting the principles of sustainable development.

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Study of the Fixed Assets' Depreciation in Accounting, Financial and Tax Context

B.C. Gomoi, M.F. Pantea, R.C. Almasi

Bogdan Cosmin Gomoi

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Robert Cristian Almasi

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Mioara Florina Pantea

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Abstract

The present work aims to emphasize a controversial and always present accounting and financial issue, namely the depreciation of assets. While the private area (the companies) strives to have a depreciation expense as wide as possible, the public area (the state) is interested in reducing this expense. The explanation comes out from the fact that the depreciation expense appears only in documents and it is not concretized in a payment. The target of the two concerned parties is opposite and the trial to harmonize it is quite difficult.

Keywords: depreciation, assets, financial, taxation, expense.

Introduction

The paper called "Study of the fixed assets' depreciation in accounting, financial and tax context" aims to present the main theoretical and practical aspects regarding the depreciation process of the fixed assets in order to highlight the influence that depreciation has in the accounting field.

The content of the paper presents the issue of depreciation in an accounting, financial and tax context, based on a conceptual part, of a smaller size and an applicative part, of a larger size, highlighting the applicability and the importance of depreciation.

The theoretical part introduces the main terms developed during the whole work, while the applicative part presents in parallel all the types of depreciation that are applied in the context of the given issue.

Literature review

The specialized literature captures numerous works and studies of scientific research that have as object of study the issue regarding the depreciation of the fixed assets in an accounting, financial and tax context. Therefore, the theories emitted are numerous. Each of these theories was grounded, both theoretically and practically. The approach of this paper is not an exhaustive one, concerns related to this field manifesting other foreign and Romanian authors, as well as teachers from higher education, both nationally and internationally, as well as locally. Within the specialized accounting and financial literature, there were, among time, different and various approaches related to the accounting depreciation versus the tax depreciation.

Cernușca (2017) brings into front the main provisions regarding the property, plant and equipment depreciation of the companies from within the Order 1802/2014 and from within the Order 2844/2016 application area. The companies within the Order 1802/2014 application area take into account only the accounting depreciation while the tax depreciation is calculated only outside the accounting area. The companies applying the IFRS appeal the IAS 12 „Income taxes” in order to focus on the problem accounting depreciation versus tax depreciation.

In order that the deferred taxes problem to find a solution within the Order 1802/2014, it is absolutely necessary a breaking of the accounting and of the taxation.

Stoian (2001, p.164) believes that „the application within the business practice of the IAS 12 „Income taxes”, both by the technical difficulties and also by the decreasing in time of the financial resources at the public budget, will generate for the companies a „respiration” period in what concerns the paying of the income tax.

Rapcencu (2012) considers that „taking into account the provisions quite rigid of the tax law in Romania, most companies choose an economic useful life always equal to the one allowed from a taxation point of view”. The decisional staff mostly prefers to choose the economic useful life within the Fixed Assets Catalog.

Cernușca (2013) emphasizes the situations when the accounting depreciation is different from the tax depreciation. Tudor (2017) brings into front the problem of the accounting depreciation versus the tax depreciation concerning the fixed assets’ revaluation, both in the situation when a fixed asset’s value increases or decreases. Certain aspects regarding the deferred taxes related to the fixed assets’ revaluation are also debated by Popa (2011).

Tulvinschi (2012) believes that „the existence both of an accounting depreciation and of tax depreciation represents an important step in eliminating the tax influence on accounting, but, in most of the times, the accounting professionals are tempted, from convenience, to introduce the pack of rules of the tax depreciation into accounting.” Burlea (2014) aims to study and to highlight the problems related to the calculation of fixed assets’ depreciation in accordance to the legislation of the Republic of Moldavia and to reveal the strengths of the neighboring countries’ legislation in this area. Ristea&Dumitru (2012) aims for a breaking of the accounting and of the taxation: Only in this manner, the deferred taxes problem will find a solution within the Order 1802/2014.

Research methodology

In order to reach the research objectives, it is used the case study, as a qualitative research method. The authors propose, by the case study, to emphasize the differences that set between the accounting and the tax depreciation and, also the tax treatment of their amount.

Research results

Depreciation of fixed assets

From a patrimonial point of view, the depreciation represents the value expression of the depreciation of an asset as a result of its use, technical progress or other causes whose effects are considered irreversible.

In relation to the patrimonial aspect, in accounting, depreciation appears as an expense. As a result of this aspect, in the balance sheet, the fixed assets are shown at the net value, respectively the entry value from which the depreciated value is deducted (subtracted).

From a financial point of view, the depreciation represents a financial process of gradual recovery of the fixed assets in tangible and intangible assets, being also considered a component of the company's self-financing capacity (on which the maintenance self-financing is based).

Regarding the financial aspect, in accounting, depreciation appears as a fund, a resource available to the company. As a result, depreciation of fixed assets is mandatory even in the case of an unfavorable result (insufficient or lack of profit).

The depreciation of the tangible assets is calculated from the commissioning to the full recovery of the entry value.

The date of commissioning for the calculation of depreciation is set as follows:

- The independent tangible assets (machines and installations), which do not require installation or technological evidence, are considered to be put into operation on the date of their acquisition, based on the receipt report;
- The tangible assets (machines and installations) that require assembly, but do not require technological evidence, are considered to be put into operation at the date of completion of the installation, based on the provisional reception report;
- Tangible assets (machines and installations) that also require assembly and technological tests, are considered to be put into operation at the end of the technological tests based on the commissioning report.

The depreciation of special categories of property, plant and equipment is carried out as follows:

- The depreciation of the tangible assets leased, rented or given in the management location is calculated by their owner;
- The depreciation of the investment expenses and the upgrades made to the tangible assets concession, rented or given in the management location is calculated by the economic agent who made the investment;

➤ The depreciation of the tangible assets used in the case of the joint ventures is calculated by the associate who owns them in the patrimony and is transmitted to the associate who records the operations of the association in order to reflect the expenses.

The depreciation of intangible assets is calculated separately for each category:

➤ The constituting and development expenses are depreciated/ recovered over a maximum of 5 years;

➤ The expenses related to the exploitation of mineral deposits on the surface are depreciated/ recovered over a maximum of 5 years;

➤ Patents, licenses, trademarks, know-how are depreciated/ recovered over the period provided for their use by the economic operator holding them;

➤ The computer programs are depreciated/ recovered on the basis of the probable duration of use, which may not exceed 5 years.

Depreciation of fixed assets and the degree of use

The calculated depreciation is included in operating expenses, taking into account the degree of use of the fixed assets.

The degree of use represents the percentage ratio between the realized production capacity and the planned production capacity. Complementarily, a degree of non-use can be considered.

$$\text{Degree of use} + \text{Degree of non-use} = 100\%$$

Every company should try to maximize this degree of use of the assets, benefiting from such tax advantages. The expense related to the degree of use will be deductible in the calculation of the profit tax, and the expense related to the degree of non-use will be non-deductible in the calculation of the profit tax.

Depreciation methods

At the level of the financial-accounting practice, there are known the following methods of depreciation:

- Linear depreciation;

- Regressive depreciation, with the following variants:

- ☐ Regressive depreciation without the influence of moral wear (RD1 type);

- ☐ Regressive depreciation with the influence of moral wear (RD2 type);
 - Accelerated depreciation;
 - Softy depreciation (sum of years) with variants:
 - ☐ Increasing Softy depreciation;
 - ☐ Decreasing Softy depreciation.

Accounting depreciation

The accounting depreciation represents the allocation of the depreciable amount of a tangible asset over its estimated life and is established by applying the depreciation quotas on the value of the entry, respectively on the revalued value of the asset. The taxpayers will calculate the depreciation on the basis of a depreciation plan starting with the month following the commissioning of the fixed asset until the full recovery of its value. For the elaboration of the depreciation plan, the depreciation periods and the conditions of use of the tangible assets are taken into account. The depreciation period is the duration of economic use.

Tax depreciation

Article 28 paragraph (2) of the Tax Code defines the depreciable fixed asset as any tangible fixed asset that cumulatively fulfills the following conditions:

1. It is owned and used in the production, delivery of goods or in the provision of services, for rent to third parties or for administrative purposes;
2. It has a tax value equal to or greater than the limit established by the Government decision, at the date of entry into the taxpayer's patrimony; it has a normal life span of more than one year.

According to the Government Decision no. 276/2013 regarding the establishment of the entry value of the fixed assets, starting with July 1, 2013, the minimum value of the entry of the fixed assets in Romania is 2,500 lei.

Case study

The following selective operations are considered within a company during a given period:

1. On 01.04.N, a bus (public transport means) is purchased on commercial credit at the purchase cost of 200,000 lei + 19% VAT. It requires technological evidence invoiced by a specialized company in the amount of 40,000 lei + 19% VAT finalized on 15.05.N. Thus, the date of commissioning is 15.05.N.

<u>238000</u>		%	=	404	„Non-current assets suppliers”	238000
200000	„Transport means”	2133				
38000	„Deductible VAT”	4426				
<hr/>						
<u>47600</u>		%	=	404	„Non-current assets suppliers”	47600
40000	„Transport means”	2133				
7600	„Deductible VAT”	4426				

It is noted that the value of the entry includes, in addition to the purchase cost, also the related expenses (related to the technological evidence, in this case), being of 200,000 lei + 40,000 lei = 240,000 lei.

2. According to the Catalog, heading 2.3.2.1.3.1 ”Buses for urban transport”, it is returned a normal operating time (DUR) of 4-8 years. Estimated, it is calculated a duration of 6 years, considered also the useful economic duration (DEC). The monthly depreciation is calculated starting with 01.06.N (the first date of the month following the commissioning). The total capacity of the bus is 40 places, and in July and August it transports an average of 20 people per race. Knowing that within the year N, the total income is of 400,000 lei, including dividends of 50,000 lei and total expenses is of 300,000 lei, including depreciation, there are determined the gross profit, tax profit, profit tax and net profit.

DUR = DEC

Tax depreciation = Accounting depreciation

$$\text{Yearly depreciation} = \frac{Vi}{DUR/DEC} = \frac{240000}{6 \text{ years}} = 40000 \text{ lei/year}$$

$$\text{Monthly depreciation} = \frac{\text{Yearly depreciation}}{12 \text{ months}} = \frac{40000}{12 \text{ months}} = 3333 \text{ lei/month}$$

Month 06 6811=2813 3333 Ud=100% → 3333 deductible expense

Month 07 6811=2813 3333 Ud=50 % → 1666 deductible expense and 1667 non-deductible expense

Month 08 6811=2813 3333 Ud=50 % → 1666 deductible expense and 1667 non-deductible expense

Month 09 6811=2813 3333 Ud=100% → 3333 deductible expense

Month 10 6811=2813 3333 Ud=100% → 3333 deductible expense

Month 11 6811=2813 3333 Ud=100% → 3333 deductible expense

Month 12 6811=2813 3333 Ud=100% → 3333 deductible expense

Ud = degree of use

At the end of the year N, one can notice the following accounting and tax situation of performances:

- Total revenues = 400,000 lei
- Total expenses = 300000 lei
- Gross profit = Total revenues – Total expenses = 400000 - 300 000 = 100000 lei
- Tax profit = Gross profit – Non-taxable revenues + Non-deductible expenses = 100000 – 50000(dividends) + 3333(depreciation regarding the non-use degree from July and August) = 53333 lei
- Profit tax = 16% * Tax profit = 16% * 53333 = 8533 lei
- Net profit = Gross profit – Profit tax = 100000 – 8533 = 91467 lei

3. It is desired to purchase a more efficient bus, which is why a useful economic duration (DEC) of 4 years is estimated. Thus, differentiations appear between the tax depreciation, described by the DUR and the accounting depreciation, described by the DEC.

$$\text{Yearly tax depreciation} = \frac{Vi}{DUR} = \frac{240000}{6 \text{ years}} = 40000 \text{ lei/ year}$$

$$\text{Yearly accounting depreciation} = \frac{Vi}{DEC} = \frac{240000}{4 \text{ years}} = 60000 \text{ lei/year}$$

Year	Tax depreciation	Accounting depreciation	Deductible expenses	Non-deductible expenses
1	40000	6000	40000	20000
2	40000	6000	40000	20000
3	40000	6000	40000	20000
4	40000	6000	40000	20000
5	40000	-	-	-
6	40000	-	-	-
Total	240000	240000		

**Table no. 1. Tax and accounting depreciation
and deductible and non-deductible expenses on a 6/4 years pperiod**
(Source:own research)

In the first year of the bus operation, the total revenues are in the amount of 200,000 lei and the total expenses are in the amount of 100,000 lei, including the depreciation expense, being finally determined the gross profit, tax profit, profit tax and net profit.

- Gross profit = Total revenues – Total expenses = 200000 – 100000 = 100000 lei
- Tax profit = Gross profit – Non-taxable revenues + Non-deductible expenses = 100000 – 0 + 20000 = 120000 lei
- Profit tax = 16% * Tax profit = 16% * 120000 = 19200 lei

- Net profit = Gross profit – Profit tax = 100000 – 19200 = 80800 lei.

4. As a result of the reduced operation, there is estimated a useful economic duration (DEC) of the bus of 12 years. There are again differences between the accounting depreciation provided by the DEC and the tax one, drawn up by the DUR.

$$\text{Yearly tax depreciation} = \frac{Vi}{DUR} = \frac{240000}{6 \text{ years}} = 40000 \text{ lei/year}$$

$$\text{Yearly accounting depreciation} = \frac{Vi}{DEC} = \frac{240000}{12 \text{ years}} = 20000 \text{ lei/year}$$

Year	Tax depreciation	Accounting depreciation	Deductible expenses	Non-deductible expenses
1	40000	20000	20000	-
2	40000	20000	20000	-
3	40000	20000	20000	-
4	40000	20000	20000	-
5	40000	20000	20000	-
6	40000	20000	20000	-
7	-	20000	-	20000
8	-	20000	-	20000
9	-	20000	-	20000
10	-	20000	-	20000
11	-	20000	-	20000
12	-	20000	-	20000
Total	240000	240000		

**Table no. 2. Tax and accounting depreciation
and deductible and non-deductible expenses on a 6/12 years pperiod**
(Source:own research)

It is considered that within the fifth and the seventh year of operating the bus, total revenues is in the amount of 200,000 lei and total expenses is in the amount of 100,000 lei, including the depreciation expense. Within the two years, the gross profit, the tax profit, the profit tax and the net profit are studied in parallel.

The 5 th year	The 7 th year
Gross profit = Total revenues – Total expenses = 200000-100000 = 100000	Gross profit = Total revenues – Total expenses = 200000-100000 = 100000
Tax profit = Gross profit – Non- taxable revenues + Non-deductible expenses = 100000 - 0 + 0 = 100000	Tax profit = Gross profit – Non- taxable revenues + Non-deductible expenses = 100000 - 0 + 20000 = 120000
Profit tax = 16% * 100000 = 16000	Profit tax = 16% * 120000 = 19200
Net profit = Gross profit – Profit tax = 100000 – 16000 = 84000	Net profit = Gross profit – Profit tax = 100000 – 19200 = 80800

**Table no. 3. Comparative study between the 5th and the 7th year
regarding the gross profit, the tax profit,
the profit tax and the net profit**
(Source:own research)

5. Assuming that the normal operating time (DUR) coincides with the useful economic duration (DEC), being of 6 years, and the bus is sold after 3 years at a sale price of 100,000 lei + 19% VAT to a hotel, it is studied the deductibility of the expense related to the depreciated/recovered part.

$$\text{Cumulative depreciation} = \frac{V_i}{\text{DUR/DEC}} * 3\text{years} = \frac{240000}{6 \text{ years}} * 3 \text{ years} \\ = 120000 \text{ lei/year}$$

- Depreciated amount 120000 lei → Decreases the depreciation amount
- Non-depreciated part 120000 lei → It is recognized the expense (6583)

a. The revenues record					
119000	„Debitors”	461	=	%	<u>119000</u>
				7583	„Revenues from selling non-current assets” 100000
				4427	„Collected VAT” 19000
b. The removal from the record					
<u>240000</u>		%	=	2133	„Transport means” 240000
120000	„Depreciation of installations and transport means”	2813			
120000	„Expenses related to non-current assets”	6583			

$$E_{6583} > R_{6583} = E_{6583} - R_{7583} = 120000 - 100000 = 20000 \text{ the amount of the non-deductible expense}$$

During the third year, the company records total revenues in the amount of 500,000 lei, including 7583 and total expenses in the amount of 300,000 lei, including 6583. The gross profit, the tax profit, the profit tax and the net profit are determined as it follows:

- Gross profit = Total revenues – Total expenses = 500000-300000 = 200000 lei
- Tax profit = Gross profit – Non-taxable revenues + Non-deductible expenses = 200000 – 0 + 20000 = 220000 lei
- Profit tax = 16% * Tax profit = 16% * 220000 = 35200 lei
- Net profit = Gross profit – Profit tax = 200000 – 35200 = 164800 lei

Conclusions

In conclusion, depreciation is a problem with tax implications. In this sense, the depreciation used in determining the taxable profit (tax loss) may be different from the one used in determining the accounting (gross) profit. The temporary difference is between the book value of the asset and its tax base, which results from the difference between the initial cost of the asset and all the deductions referring to the respective asset, allowed by the tax authorities in the context of determining the taxable profit for the current period and for the previous periods. When tax depreciation is accelerated, a taxable temporary difference arises, which results in a deferred tax liability (if tax depreciation is slower than accounting depreciation, a deductible temporary difference appears, resulting in a deferred tax debt).

In practice, the terms in which this issue is solved are found in the depreciation periods and in the depreciation methods that are opposed to the companies, implicitly in the degree of deductibility of the depreciation when determining the taxable profit.

Regarding the depreciation method, it is known that the linear depreciation method, the regressive depreciation method, the accelerated depreciation method and the Softy method can be used. It is obvious that from all these methods, the method of linear depreciation ensures the calculation of a rational and economic size of the depreciation included in the principles and rules of the fair image. Consequently, any amount greater or less than the value of the linear depreciation represents a derogatory depreciation structure introduced under the differences between the accounting profit and the tax profit. Therefore, the issue is a tax one, being solved in different ways.

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Perception Regarding the Hard and Soft Skills Necessary to Access the Accounting Labor Market

L. Cernușca, R.C. Almasi, R.S. Bilți

Lucian Cernușca

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Robert Cristian Almasi

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Raluca Simina Bilți

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The main objective of the research is to study the perception of students and MBA students versus the one of the employers, regarding their perception of the hard and soft skills required for access to the accounting workforce market. In order to achieve this objective, an empirical study based on transversal descriptive research was used; the chosen method is the survey based method. The target group consists of students and MBA students from “Aurel Vlaicu” University of Arad and accounting companies members of CECCAR (The Body of Experts and Licensed Accountants of Romania). The results show that the interviewed employers are increasingly focusing on soft skills in selecting young graduates in the accounting workforce market. The interviewed target group in the case study believes that it would be good for students to take part in internships, volunteer actions, student conferences, national and international projects, round tables, during the university studies, in order to develop soft and hard skills. To achieve performance in the field of accounting, students / master students must

possess a strong set of soft skills, complementary to the hard skills acquired and tested during the undergraduate and master programs. Future accountants will need to harmoniously combine hard skills and soft skills, in order to generate sustainable organizational success, and in this way to favor a sustainable development of the accountancy profession.

Keywords: hard skills, soft skills, CECCAR employers, students / MBA students of "Aurel Vlaicu" University of Arad, Karl Pearson's chi-squared test.

Methodology and purpose of the study

The main objective of the research is to study the perception of the target group about the required skills and abilities, in the framework of a better access of the accounting graduates' to the labor market. In order to achieve this goal, an exploratory study based on the descriptive research - transversal type, was carried out; the method used was the survey and the research tool was the questionnaire. The developed questionnaire includes general questions about the profile of the target group and questions that are intended to follow the perception of the target group on the required skills for accounting graduates to access the labor market.

The questionnaire was distributed to the target group consisting of 120 students and master students from the Faculty of Economic Sciences at "Aurel Vlaicu" University of Arad, and 200 employees from accounting companies included in CECCAR (Expert Corps and Certified Accountants in Romania/ The Body of Experts and Licensed Accountants of Romania). The questionnaire was distributed between May 2017 and February 2018, and it represents the basis upon which the present study was made.

The basic issues pursued in the case study consist in formulating the main views of the target group on the importance of hard skills versus the soft skills in accessing the accounting workforce market.

The material proposes two objectives dynamically transposed by testing two hypotheses, who are to be detailed in the next paragraph.

The research hypothesis helps clarify the issues that need to be debated by the research study and can be accepted or rejected by using calculations based on the chi-square statistical test.

In this context, the following steps were taken: formulating the statistical hypothesis; setting the significance threshold "alpha" and those of the degrees of freedom, definition of the square chi parameter, definition of the critical region, calculation of the observed parameter value and in the end, the decision making process.

Foreword

The profound changes of the last decade, in social, technical and economic terms put their mark on the Romanian education system as well. Efforts have been made to move from a rigid and excessively theoretical education system to one that meets the labour market requirements and forms graduates compatible with the employers' demands. The society has begun to realize that it is necessary to create study programs that contribute to the development of young people's hard and soft skills as well as how to capitalize them so that future employees can successfully meet the demands of employers in the current competitive environment of the labour market.

The Recommendation 2006/962 / EC of the European Parliament and of the Council of 18th of December 2006 on key competences for lifelong learning defines all these as a "combination of knowledge, skills and attitudes, appropriate to each context", being "necessary especially for personal development and fulfilment, for social inclusion, active citizenship and employment "(<http://opc-sfc.eu/>). The key competences will have to be acquired by young graduates but also by grown-ups throughout their lives. The key competences help young graduates to successfully integrate themselves into an active labour market, and at the same time these become a basis for further lifelong learning.

The European Classification of Skills/Competencies, Qualifications and Occupations (ESCO) is part of the Europe 2020 Strategy. Tilea (2015, p.14) states that "the ESCO classification identifies and groups the skills, competences, qualifications and occupations relevant to the EU labour market for education and training, systematically highlighting the relationships between different concepts. ESCO is available for free to anyone and can be accessed via the ESCO portal.

"In Romania, the National Qualifications Framework in Higher Education discusses the competences issue and includes a list of the hard and soft skills for each qualification. The National Education Law no.1 / 2011 brings into discussion the key competences - as the finality of the education process. The purposefulness of young people's education consists in their accumulation of hard and soft skills.

The Regulation no.4476 / 2016 brings into discussion the notion of competencies. The specific skills include both hard and soft skills. The hard skills consist in the competencies specific to the field of activity, accumulated by the employee during the studies and related to his / her training and professional experience. These are confirmed by diplomas / certifications that the candidate specifies in the CV, being much easier to be evaluated than the soft skills. While hard skills are specific to a specific field, soft skills are applicable to many domains.

In the context of the integration of the Romanian education system into the European framework, soft skills play an increasingly important role, being included in educational strategies and policies. The decision makers within the Ministry of National Education and universities became more and more aware of the importance of the soft skills, these being included in the educational requirements.

The education plans and the discipline files (curriculum) must include soft skills along with hard skills so that they are spread and developed among students. Students become aware that they need to accumulate both hard skills and soft skills during university studies to cope with the access to a modern labour market and to be effective and competitive at work. If the candidate has the hard skills, this will increase his/her chances to be called for an interview and even to win the job he/she applied for, but the soft skills can help the candidate to keep the job and have a growing career path.

Literature review

In the national and international literature, we have a series of studies on soft and hard skills. In this context, we will refer to some of these, as it follows.

Barbu & Craciun (2015) drew up a study that looked at the development of the transversal skills among future entrepreneurs. Analysing the relationship between offer and demand for skills in the labour market, the two researchers conclude that the approach of the competences must be in line with the company's strategy "focusing on wider competences that take into account behavioural characteristics such as "the science to learn" and "the science of being," rather than traditional skills that include strictly professional or technical characteristics. Barbu & Craciun (2015, page 80).

The research based on a questionnaire developed within the TRANSMOD project has helped to focus the efforts of the project members on proposing modern and efficient teaching and learning methods as well as useful strategies for the delivery and development of soft skills among students as well as the elaboration of a guide of good practices to be useful in modern didactics. (<http://proiecte.ucv.ro/transmod/>)

Tilea (2015) brings into light the issue of the transversal competences in the modern didactics. In the conception of Tilea (2015,p.7) the transversal competences "are included in the educational requirements so that the teaching staff must ensure their development among the students (descending direction) but they are also increasingly demanded by the students, who are more and more aware of the skills they need to become competitive on the labour market (upward direction). "

The exploratory study by Cărbunăreanu (2015) aims to present the perception of the employers regarding the abilities of the master's graduates from Babeş-Bolyai University. According to Cărbunăreanu (2015), the institution in which the graduates studied represents the place where hard skills are formed and which provides the context favourable to the development of soft competences.

The main measures proposed by employers in order to improve and develop the level of graduates' hard and soft skills mainly focus on the following: the importance of internship, the orientation of the university curriculum towards the labour market requirements, the inviting of economic specialists to support a series of useful lectures to the students, the importance given to the communication and linguistic skills of the graduates, the involvement of the students / masters students in the research activity by participating in the elaboration of national and international studies, articles, monographs, programs and projects.

Cernuşca et.al (2016) develops a research based on studying students' perceptions of the Arad "Aurel Vlaicu" University accounting profile regarding the skills required to access the labour market in the accounting field in the current context of the phenomenon of globalization and mundialization of economies. From the questionnaire developed in the case study, it was found that over 50% of the surveyed students working in the accounting or accounting related field are of the opinion that soft skills are more important than hard skills to access the labour market in the accounting field. At the opposite end students who do not work or work in an area that is not related to accounting take priority into hard skills in front of soft skills.

Anigbogu (2017) discusses the importance of soft skills. According to Anigbogu (2017) "since hard skills are specific knowledge and abilities typically backed up with certificates and certifications, people tend to focus more on them. But the reality is that hard skills are inadequate for optimal career advancement. While your hard skills may get your foot in the door, your soft skills are what most of the doors to come."

Cernuşca et.al (2017) conducted a research study by studying the perception of students and master students of the Faculty of Economic Sciences at UAV Arad in relation to the employers, members of the CECCAR, regarding their perception of hard and soft skills competences needed for the access of young graduates to the labour market. The authors of the research concluded that students and master students who have a job, as well as employers, are of the opinion that soft skills have priority over the hard ones with a view to young graduates entering from the economic field into the labour market.

At the opposite end, the interviewed students and masters students who do not have a job believe that hard skills take precedence over soft skills regarding young graduates entering into the labour market.

In order to make performance and generate sustainable organizational success, the future graduates who will enter the economic labour market will have to harmoniously combine hard skills with soft skills to contribute to the development of the sustainable organizational success.

Tanaka & Sithole (2015) conducted a research study aimed at establishing the expectations that employers have from the accounting programs graduates of accounting in relation to their skills acquired during the study years. The target group was composed of 35 employers from Swiss production companies, services and public sector, which intend to recruit young graduates of accounting programs. Also, some NGOs were part of the target group. The research results revealed the fact that the reporting skills, written communication and computing techniques are the priority skills required by the employers. In contrast, employers perceive accounting graduates to be highly skilled, to own reporting skills, measurement skills, and research skills. Although the employers have found that students of the accounting programs are well trained in word-processing and knowledge of communications, software competencies, they do expect more knowledge in terms of accounting, expertise, auditing and spreadsheet skills for the entry level accounting graduates. The results of this research study are useful not only for employers but also for accountancy professors to continuously improve the curriculum as well as to develop the skills necessary for the graduates of the accounting programs who wish to get employed in the accounting domain in the current context of ongoing changes in the labour market.

According to Han (2015), in order to gain access to the accounting labour market, graduates of accounting programs must have both hard skills and soft skills, which are equally important.

The academic environment has an important and highly responsible mission regarding the learning outcomes that materialize in the two competences, hard and soft, that contribute together to the formation of a professional qualification needed for the access of the young graduates to a modern labour market.

In their study, Klibi & Oussii (2013) note the gap between students' perceptions and employers' expectations in terms of entering into the labour market in the field of accounting.

Students value technical skills higher than generic skills. However, they do not deny the importance of several generic skills. This difference in perceptions may be the result of a lack of communication between students and professionals.

Results of the study

In order to achieve the assumed objectives, we aim to bring to light the issues considered. The target groups are two: 1) The first group consists of 120 students and master students from the accounting majors, within the Faculty of Economics, Aurel Vlaicu University of Arad; 2) The second group consists of 200 employers from accounting / expertise companies or the accounting offices, members of CECCAR.

Objective O1: Identify the views of the two target groups on the importance of hard skills in relation to soft skills for the access of young graduates of accounting specialties to the accounting workforce market.

Objective O1: The understanding of perception of the two target groups on the importance of hard skills versus soft skills needed in order to facilitate the process of entering the workforce market for the accounting graduates.

In order to achieve the O1 objective, we test the following hypothesis:

Hypothesis H1 : There is a difference of perception between the two target groups (group 1 and group 2) regarding the importance of hard and soft skills for the access of young graduates of the accounting field to the labor market. The two target groups were asked to answer the question: "In the process of recruiting young graduates from accounting profiles, are soft skills a priority in relation to the hard skills when entering the accounting workforce?"

Default answers to the question were based on the Likert scale, with five choices: from total disagreement to total agreement.

Null Hypothesis H0: There is no difference of perception between the two target groups (group 1 and group 2) regarding the importance of hard and soft skills for the access of young graduates of the accounting field to the labor market.

In order to test the hypothesis we will appeal to Karl Pearson's chi-squared test.

Decision criteria's:

- The materiality: $\alpha = 0.05$
- The number of freedom degrees:

$$df = (\text{no.columns} - 1) \times (\text{no.rows} - 1) = (5-1) \times (2-1) = 4$$

Table 1. Frequencies observed and theoretical (group 1 and 2)

OBSERVED THEORETICAL	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Total rows
Group 1 (accounting students)	15/10	41/33	10/8	39/49	15/20	120/120
Group 2 (employers)	12/17	88/55	21/13	131/82	53/33	200/200
Total columns	27/27	88/88	21/21	131/131	53/53	320/320
The calculation of the parameter s observed value: $\chi^2_{\text{calculated}} = (15-10)^2/10 + (41-33)^2/33 + (10-8)^2/8 + (39-49)^2/49 + (15-20)^2/20 + (12-17)^2/17 + (88-55)^2/55 + (21-13)^2/13 + (131-82)^2/82 + (53-33)^2/33 = 13,14$						

Source: own elaboration based on answers from questionnaires

$\chi^2_{\text{calculated}} = 13,14$

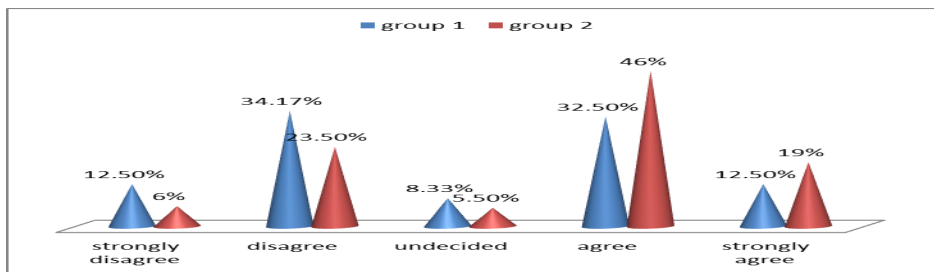
$\chi^2_{\text{critical}} = 9,488$

The decision making:

$\chi^2_{\text{calculated}} > \chi^2_{\text{critical}}$

The null hypothesis is rejected and therefore the alternative hypothesis is accepted. This implies that there is a difference of perception between students /MBA students and employers regarding the importance of soft skills vs. hard skills for the access of young graduates of the accounting field to the labor market

Figure no. 1. The opinion of groups 1) and 2) regarding the importance given to soft and hard skills



Source: own elaboration based on answers from questionnaires

More than 50% of respondents from Group 2 consider that soft skills are a priority in the face of hard skills for young graduates when entering the accounting labor market. (19% are total agreement on the above question and 46% agree). 6% of the surveyed employers express their total disagreement, 23,50% disagree and 5,50% are undecided. 46.67% of respondents belonging to group 1 believe that hard skills are more important than soft skills for young graduates when accessing the labor market, in the field of accounting (12.5% totally disagree, and 34.17% disagree). 12.50% of the respondents express their total agreement and 32.5% agree that soft skills are more important; 10% of the Students / Master students are undecided.

Objective O2: Identify the views of the two target groups on the appropriate situation for a student in the accounting field to develop the necessary hard and soft skills: i) work part-time during the faculty; ii) to work full-time during the faculty, iii) to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc.

In the objective O2, we aim to identify the perception of the two target groups regarding the chances of developing the necessary hard and soft skills for an accountant student, in order to achieve a successful career.

The testing hypotheses for objective O2 are as following:

Hypothesis H1 : Hypothesis H1: There is a difference in perception between the two target groups (group 1 and group 2) regarding the appropriate situation for a student in the accounting field to develop the necessary hard and soft skills in order to achieve a successful career i) work part-time during the faculty; ii) to work full-time during the faculty, iii) to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc.

The two target groups were asked to answer the following: "Express your opinion on the most appropriate situation for a student in the accounting field, in order to develop the necessary hard and soft skills for achieving a successful career: i) work part-time during the faculty; ii) to work full-time during the faculty, iii) to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc.". The predetermined answers to the question were based on the Likert scale , using five variants of the response, from total disagreement to total agreement.

Null Hypothesis H0: There is no difference of perception between the two target groups as regarding the appropriate situation for a student in the accounting field , in order to develop the necessary hard and soft skills for achieving a successful career: i) to work part-time during the faculty; ii) to work full-time during the faculty, iii) to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc.".

In order to test the hypothesis we will appeal to Karl Pearson's chi-squared test.

Decision criteria's:

- The materiality: $\alpha = 0.05$
- The number of freedom degrees:

$$df = (\text{no.columns} - 1) \times (\text{no.rows} - 1) = (5-1) \times (2-1) = 4$$

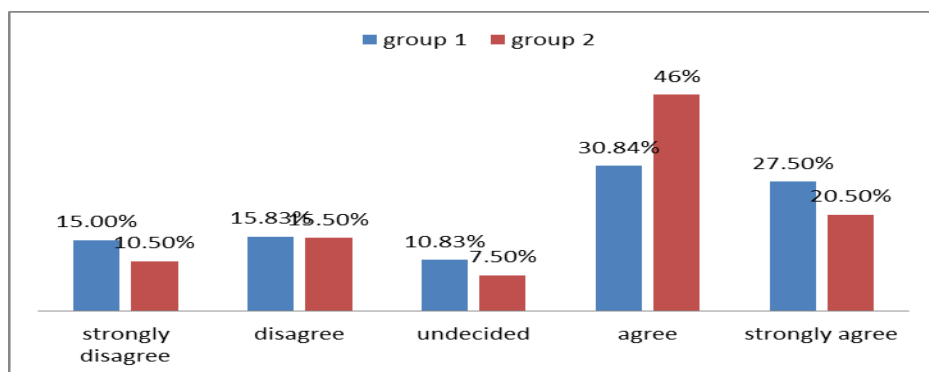
i) the student to work part-time during the faculty

Table 2. Frequencies observed and theoretical (group 1 and 2)

OBSERVED THEORETICAL	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Total rows
Group 1 (accounting students)	18/15	19/19	13/10	37/48	33/28	120/120
Group 2 (employers)	21/24	31/31	15/18	92/81	41/46	200/200
Total columns	39/39	50/50	28/28	129/129	74/74	320/320
The calculation of the parameter χ^2 observed value: $\chi^2_{\text{calculated}} = (18-15)^2/15 + (19-19)^2/19 + (13-10)^2/10 + (37-48)^2/48 + (33-28)^2/28 + (21-24)^2/24 + (31-31)^2/31 + (15-18)^2/18 + (92-81)^2/81 + (41-46)^2/46 = 7,82$						

Source: own elaboration based on answers from questionnaires

Figure no. 2. Opinion of Group 1 and Group 2 on the most appropriate situation for an accounting student (to work part-time during the faculty)



Source: own elaboration based on answers from questionnaires

More than 50% of the interviewed students / master students consider that it is appropriate for accounting students to work part time during the faculty, in order to develop the necessary soft and hard skills for accessing the accounting workforce market (27.50% are on total agreement and 30.84% agree). 15% of the students / master students questioned express their total disagreement, 15.83% disagree and 10.83% are undecided. Like the interviewed students / master students, over 60% of the employers who participated in the survey, consider that it is useful for student to work part time during the faculty in order to develop better hard and soft skills (20.50% totally agree on the question above and 46% agree). 10.50% of the surveyed employers express their total disagreement, 15.50% disagree and 7.50% are undecided.

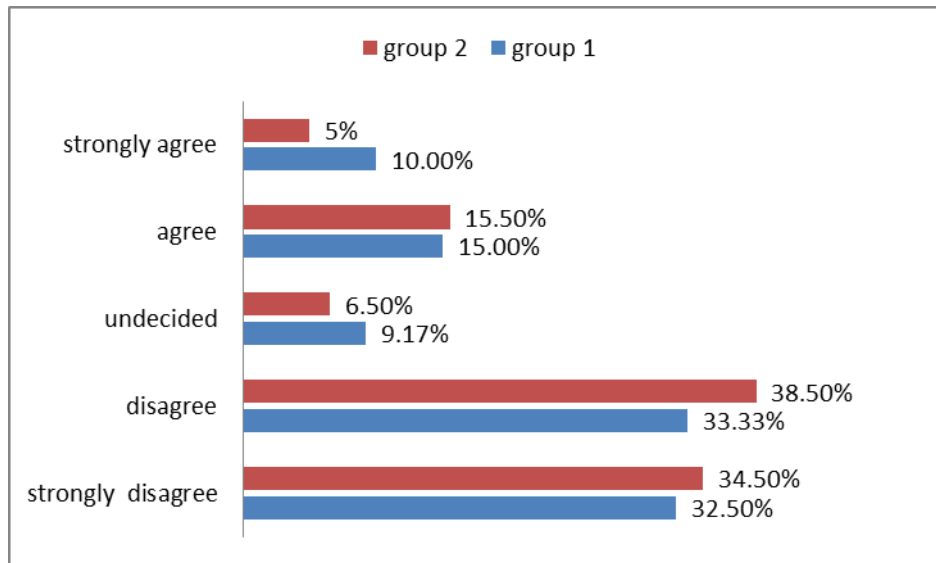
ii) The student to work full-time during the faculty

Table 3. Frequencies observed and theoretical (group 1 and 2)

OBSERVED	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Total rows
THEORETICAL						
Group 1 (accounting students)	39/41	40/44	11/9	18/18	12/8	120/120
Group 2 (employers)	69/67	77/73	13/15	31/31	10/14	200/200
Total columns	108/108	117/117	24/24	49/49	22/22	320/320
The calculation of the parameter s observed value: $\chi^2_{\text{calculated}} = (39-41)^2/41 + (40-44)^2/44 + (11-9)^2/9 + (18-18)^2/18 + (12-8)^2/8 + (69-67)^2/67 + (77-73)^2/73 + (13-15)^2/15 + (31-31)^2/31 + (10-14)^2/14 = 4,59$						

Source: own elaboration based on answers from questionnaires

Figure no. 3. Opinion of Group 1 and Group 2
on the appropriate situation for an accounting student
(the student to work full-time during the faculty)



Source: own elaboration based on answers from questionnaires

More than 60% of the interviewed students think that it is not suitable for accounting students to work full time during the faculty (32,50% totally disagree and 33,33% disagree). 10% of students/ master students surveyed express their total agreement and 15% agree to the hypothesis of a full-time job during university; 9.17% are undecided. Likewise the interviewed students /master students, over 60% of the employers who took part in the survey consider that it is not appropriate for students to work full time during the faculty (34.50% are in total disagreement and 38.50% disagree). 5% of the surveyed employers express their total agreement and 15,50% agree; 6.50% are undecided.

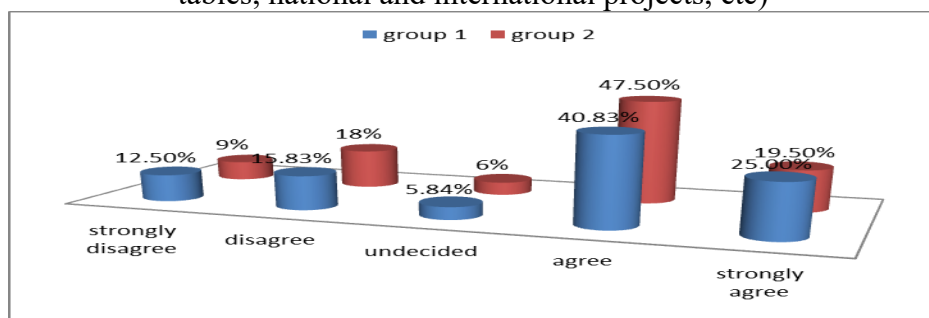
iii) Students to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc.

Table 4. Frequencies observed and theoretical (group 1 and 2)

OBSERVED THEORETICAL	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Total rows
Group 1 (accounting students)	15/12	19/21	7/7	49/54	30/26	120/120
Group 2 (employers)	18/21	36/34	12/12	95/90	39/43	200/200
Total columns	33/33	55/55	19/19	144/144	69/69	320/320
The calculation of the parameter s observed value: $\chi^2_{\text{calculated}} = (15-12)^2/12 + (19-21)^2/21 + (7-7)^2/7 + (49-54)^2/54 + (30-26)^2/26 + (18-21)^2/21 + (36-34)^2/34 + (12-12)^2/12 + (95-90)^2/90 + (39-43)^2/43 = 3,21$						

Source: own elaboration based on answers from questionnaires

Figure no. 4. Opinion of Group 1 and Group 2 on the appropriate situation for an accounting student (to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc)



Source: own elaboration based on answers from questionnaires

More than 50% of interviewed students think that is not suitable for student to work during the faculty, but it is important to take part in volunteering, internships, student conferences, Erasmus programs, work and travel programs, or some other programs, both national and international, etc., in order to develop the necessary soft and hard skills in order to successfully enter the labor market in the accounting field (25% strongly agree and 40.83% agree). Under 30% of interviewed students and master students consider appropriate for them to work during the faculty (12,50% of the students / master students questioned express their total disagreement about the above situation and 15,83% disagree); 5.84% are undecided.

Likewise the interviewed students/master students, more than 60% of the employers engaged in the research believe that it is not suitable for students to work during faculty, but it is important to engage in internships, volunteering, student conferences, round tables, national and international projects, etc. (19.50% strongly agree that students / master students should not work during faculty and 47,50% agree). Fewer than 30% of the surveyed employers believe that is appropriate for students to work during the faculty courses (9% of the surveyed employers express total disagreement while 18% disagree, and 6% are undecided).

Table 5. Making decision (objective 2)

Chi ² calculated/Chi ² critical the most suitable situation for a student in accounting	Chi ² calculated	Chi ² critical
the student has to work part time during the faculty	7,82	9,488
the student has to work full time during the faculty	4,59	9,488
the student should not work during the faculty but take part in interships, volunteer actions, student conferences, national and international projects, etc.	3,21	9,844
The making decision:	Chi ² calculated<Chi ² critical	

Source: own elaboration based on answers from questionnaires

The null hypothesis is accepted and therefore the alternative hypothesis is rejected. The results suggests that there exists a similar perception between students / master students and employers regarding the most appropriate situation for a student in the accounting field in order to develop the necessary hard and soft skills in order to achieve a successful career: i) work part-time during the faculty; ii) to work full-time during the faculty, iii) to not work during the faculty, but to participate in internships, volunteering, student conferences, round tables, national and international projects, etc.

Conclusions and research limits

In order to integrate the young graduates into the employment market in the field of accounting, they will have to possess a rich baggage of both soft skills and hard skills. In the current context of European integration, the strategy of the educational system in Romania for 2016-2020 aims at the orientation towards innovation, research and creativity, continuous development of soft and hard skills that allow personal development as well as to successfully integrate young people into a modern labour force market

Transversal competences are a multifunctional package of knowledge, abilities, work habits and character traits that every young graduate (future employee) needs for his/her personal and professional fulfilment and development, social inclusion and labour market entry. The professional level of the employees demanded by more and more companies is becoming more and more complex as they are not only required to possess specialized technical knowledge accumulated during classes / seminars and laboratories during the faculty, but also computer skills, dynamism, ability to adapt and flexibility, focus on results, teamwork, seriousness, good behaviour, communication skills in Romanian and foreign languages.

Whether we are talking about communication skills in Romanian or foreign languages, computer skills, adaptability to new and flexibility, time management or critical thinking, any young person who would like to enter an active labour force market in the field of accounting, in addition to the advanced knowledge in its field of interest, must have certain key competences that will allow him/her to develop personally and especially professionally.

Without these soft skills acquired during the undergraduate / master studies or in an informal, self-taught way, young graduates will not have much chances of successfully integrating themselves into a modern ever-changing labour market.

The main limit of our research lies in the fact that the target group was constituted only by students/master students from a single university as well as employers/professional accountants from a single CECCAR (The Body of Experts and Licensed Accountants of Romania) branch in Romania. In the future, we intend to expand our target group with students / master students from other universities in the country/abroad, as well as with employers / professionals from other CECCAR branches, with managers, investors, auditors, as well as with other users of financial and accounting information.

For the future research studies, we intend to use complex statistical tools in order to obtain additional information and to substantiate more relevant results.

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Ordinul ministrului educației naționale și cercetării științifice nr.4476/2016 și anexele 1-12 la ordin, privind aprobarea standardelor profesionale de formare continuă pentru funcția didactică de predare profesor din învățământul preuniversitar, pe niveluri de învățământ-preșcolar, primar, gimnazial și liceal-și pe etape de dezvoltare profesională din cariera didactică –gradul didactic II, gradul didactic I, formare continuă odată la 5 ani, publicat în M.O. nr. 31 și 31 bis din 11 ianuarie 2017

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Ethics and the Multinational Companies

M.F. Pantea, L.D. Cuc, B.C. Gomi

Mioara Florina Pantea

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Lavinia Denisia Cuc

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Bogdan Cosmin Gomi

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The ethical approach, based on generally accepted values, positively influences corporate profits. Successful management results from ensuring the balance between profitability and social responsibility. Business ethics manifested itself in developed countries and gradually expanded to the east as a result of the expansion of multinational companies. It is based on generally accepted values and has effects on the company, business partners, consumers, and society. Certain government regulations determine companies to act ethically by imposing the ban of materials, manufacturing certain products and doing business. Nowadays, companies are constantly concerned with maintaining ethics, and in many countries it has become a subject of study in higher education with an economic profile.

Keywords: multinational, ethics, morals, principles, responsibility.

Introduction

The Explanatory Dictionary of the Romanian Language defines ethics as a science that studies moral principles, origin, development and content.

Morality is defined as a form of social consciousness that includes ideas, conceptions, beliefs about the norms of cohabitation and behavior of people in their relations with society, determined by economic ordering.

In principle, ethics and morals are equal. Morality represents specific values and behaviors, known as expressions of good in all its manifestations, refers to honesty, fairness and norms that constitute universal human rights, with manifestations in the family, community, everyday life, and in relationships Business.

We can admit that ethics normalize morals according to criteria they set, defining the moral obligations of people and institutions. Given that moral norms manifest themselves in defined frameworks, they have a series of general features of an old, universally accepted and lasting nature, family rules, religious life, professions and trades, and special norms, related to a particular business. To them are added legal norms, whose non-compliance has punitive consequences.

Therefore, arguing that business is ethical is to accept that ethical and moral norms, based on public consciousness and perception, are respected between them and the business.

Research issue

The present article focuses on emphasizing the concept of “business ethics” from a multinational companies’ point of view.

Literature review

In the contemporary world there is a trend of return to values, ethical and moral responsibilities, in which individuals and companies know the absolute freedom in which there are only legal constraints.

Over time, society has created institutions that have directed, through norms and rules, values that meet people's expectations and have created various theories about ethics with business relevance.

1. Ethics of virtue - based on the philosophy of Aristotle (382-322 BC) that puts, in the center, the person who performs good action, chooses balance and is not in search for enrichment. The individual acts according to the rules of virtue and follows a pattern.

Aristotle's followers with later chronological manifestations are David Hume (1711-1776) and Adam Smith (1723-1787) who founded his theory on moral sentiment.

This theory can be partially applied in the business world as well. A company that achieves high profit through solid management, based on ethics, product and service quality, customer satisfaction, employees' respect, and law, presents all the features of an ethically-based enterprise based on virtue.

2. The utilitarian theory - founded by Jeremy Bentham (1748-1832) who, together with his followers, considers ethics the action that benefits as many people as possible. John Stuart Mill (1806-1873) adopts the same theory, but distinguishes between ideal utilitarianism and preference.

In business, utilitarianism is maximizing the usefulness of all those involved in the business. The theory has limits because it can disadvantage segments of the population to create the benefits of a majority.

3. Kantian Ethics - of Immanuel Kant (1724-1884) has a deontological approach to ethics, the opposite of the theory of utilitarian. The theory is based on the ethics of perfect and imperfect moral duty. Perfect moral duties are those related to others who need to be helped, principles that do not support everyone must be rejected.

Speaking of the moral law, Kant states *"Act only according to that maximum that you may want it to become a universal law."*

The theory is applicable to business ethics by introducing the idea of social responsibility. Kant is also appreciated for having imposed the idea of respect for the individual, excluding the exploitation of the people.

By translating the idea into business, we conclude that in a company, every person, regardless of the place they occupy in the hierarchy, is important for having normal relationships with all other employees, and follows the common purpose of personal fulfillment and the success of the company.

4. Ethics of rights is in accordance with the Kantian principle of debt and is based on individual rights theorized by John Locke (1635-1704) and confirmed in the human rights section of the US Statement of Independence (July 4, 1776).

Ethics is applied in the framework of existing business cooperation by ensuring respect for employee rights - the right to free speech, leave, health, safety.

5. Deep Ecology - The theory of deep ecology emerged in the 1970s and was initiated by Norwegian philosopher Arne Naess. The theory sets forth a set of principles that emphasize the welfare and development of the lives of people who are values in themselves. Some ideas of the philosopher are questionable, as saying that the development of human life requires a less population. The idea of surface ecology is accepted and imposed on companies as it refers to the fight against pollution and the destruction of natural resources.

6. The theory of justice was initiated by John Rawls who presented a modern theory in which he included the theory of distributive justice (*A Theory of Justice*, 1972), in which he claims that those who have more must offer society some of the benefits. In business, theory has limitations in its application, as it can lead to the inaction of decision-makers.

7. Post-Confucianism, based on the doctrine of Confucius, manifests itself in China and emphasizes virtue in all its manifestations. In business, the doctrine acts through community attention, the company is seen as a big family, and individual employee evaluation takes into account personal merits and results.

Analyzing the theories presented, marked by time, the place where they came into being, we conclude that, despite the differences, all share the idea of responsibility towards others in the group or society.

Research methodology and the results of the study

The present paper combines various research methods such as brainstorming, analysis, synthesis, induction, deduction or comparative study.

Generally, most people think that businesses are immoral, devoid of honesty and ethics; they only pursue profit and ignore the means and individuals involved in the process.

Current economic life and competition show that companies, regardless of size, are gradually deciding to adopt ethical behavior.

Business ethics manifested itself in developed countries and gradually expanded to the east as a result of the expansion of multinational companies.

Business ethics is based on generally accepted values and has effects on the company, business partners, consumers, and society.

The rules to be respected can be included in three categories:

- a) Universal rules - Principles of international business 1994 - superior to corporate and national codes;
- b) Macronorms - the codes of ethics of the economy and the national ones;
- c) Company-level rules.

Certain government regulations determine companies to act ethically by imposing the ban of materials, manufacturing certain products and doing business. Failure to comply with the ban places the company in an illegal position under the threat of criminal consequences. Also here is the labeling that is not in conformity with the product or the lying advertisement.

Nowadays, companies are constantly concerned with maintaining ethics, and in many countries it has become a subject of study in higher education with an economic profile. In the UK, business ethics is valued as a discipline taught in all Institutes of Business Ethics, London Business School, Cambridge University Business and Public Affairs Center.

Business ethics has a general character, but also features related to the state in which it is applied.

For example, in Canada, a business is considered ethical if it respects cultural autonomy, environmental protection, employs women, makes donations and sponsorships, pays attention to the health and safety of employees.

In Japan, business ethics is rigorously defined and based on group practice - the Kaizen strategy (Kai = change, zen = balance, well), through which continuous product improvement, punctuality and respect for the given word are achieved. Practice is based on the employee, considered to be the main success factor of the enterprise. Given the importance of image and public perception, companies with ethical behavior have success and record considerable profits.

Multinational companies / transnational corporations or global companies are interesting, and the inclusion of a company in this category is difficult as its definition is diverse.

Defined as a subsidiary company in other countries (Neil Hood and Stephen Young), as a parent company with subsidiaries outside the country (UN) or as a company that establishes, manages and manages an interconnected business network (M. Wilkins), the company multinational is an international business operator representing the future.

Most theorists claim that a company is multinational if it meets three conditions:

- the share capital is held by shareholders from several countries;
- managers are of several nationalities;
- production strategy and planning is carried out on a global scale.

Regardless of the definition, the multinational company is a strong company that is doing business in countries other than the home country.

The expansion of these companies began in the second half of the 19th century, but development took place after World War II, with foreign capital investment (80%), world trade (80%) and capital market loans (60%).

The beginnings meant to expand into cheap labor or domestic resources where multiple subsidiaries have been created.

The business world is pragmatic and aims at making profit, the very reason to exist. At the same time, besides material basis, technology, innovation, economic and multinational organizations, there are also people to whom leadership has to show an ethical attitude.

In this respect, large companies develop and apply codes of ethics that embody aspects of social responsibility and sustainable development of the company that can be transformed into legal norms. Practically, employees of a multinational sign a contract with the company that includes reciprocal obligations whose non-compliance is sanctioned. The provisions include:

- compliance with hygiene standards;
- respecting employee safety;
- prohibiting the use of harmful substances;
- banning the use of GMOs;
- respect for the environment;
- loyalty and respect on the hierarchical scale.

Companies act in the social environment by:

- ensuring equal opportunities, regardless of gender;
- avoiding discrimination against minorities;
- ensuring a safe and healthy work environment.

As far as the responsibility and ethics of multinational companies, they contribute to society by introducing new technologies, organizational experience and job creation. In the environment, the importance of involving these companies in solving social problems is supported, but most believe that the role of the company is exclusively profit-making and compliance with the legal framework.

The context outlines two aspects of multinational ethics:

1. *ethnocentrism* which requires the application of the ethics principles in the country of origin;
2. *relativism* that requires the adoption of codes in the country of implementation.

In a constantly changing world, a number of old principles have survived and proved their efficiency over time by building a company characterized by good ethical and moral practices.

These companies have applied the basic principles of ethics:

1. *economic and social responsibility* - the classical idea referred only to owners and shareholders, while social responsibility and consequences affect shareholders, employees and customers;
2. *socio-economic approach* - a more complex principle having as objective expanding and diversifying responsibilities towards:

- a. owners, shareholders, national legal framework where the subsidiary operates;
- b. preserving an environment without pollution, involving additional costs borne by the company;
- c. economic and political climate of the country in which the subsidiary operates.

Companies with ethical behavior have shown that they understand the duty to distribute a share of the profit to society through donations, sponsorships, the establishment of cultural or health establishments, etc.

Multinational companies have found the balance of interdependence between profit-making and ethical actions considered to be a duty to the social and political environment in which they earned the profit.

In the future, the number of multinational companies, which have demonstrated a high volume of employees, significant business remittances, will increase.

Practice has shown that clean business contributes to profit growth, loyalty to actors involved in the organization, and involvement in social action is equally beneficial.

Conclusions

In the contemporary world there is a trend of return to values, ethical and moral responsibilities, in which individuals and companies know the absolute freedom in which there are only legal constraints.

In business, the doctrine acts through community attention, the company is seen as a big family, and individual employee evaluation takes into account personal merits and results.

Multinational companies/transnational corporations or global companies are interesting, and the inclusion of a company in this category is difficult as its definition is diverse.

Defined as a subsidiary company in other countries, as a parent company with subsidiaries outside the country or as a company that establishes, manages and manages an interconnected business network, the company multinational is an international business operator representing the future.

As far as the responsibility and ethics of multinational companies, they contribute to society by introducing new technologies, organizational experience and job creation.

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Tax Optimization at the Level of Economic Entities

V.A. Trifan, B.V. Condea

Vanina Adoriana Trifan

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Bogdan Virgil Condea

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

Managing fiscal tasks is one of the biggest concerns of economic entities. In order to efficiently manage their own patrimony and to get more profit, taxpayers, in most cases are tempted to diminish or avoid fiscal obligations. In this case, tax optimization offers to taxpayers the option of choosing between the various solutions and alternatives provided by fiscal legislation. This paper aims to carry out a study regarding the tax optimization at the level of a micro-enterprise, respectively to determine the optimum turnover threshold as for a private entrepreneur to make hiring.

Keywords: tax optimization, tax evasion, fiscal obligation, micro-enterprise, fiscal legislation.

Introduction

"In this world, can be said that nothing is safe. Exceptions make death and taxes." This phrase, which has become famous in our days, belongs to Benjamin Franklin, one of the most famous personalities from the history of the United States, a diplomat, a scientist, a philosopher, a professor and a politician.

Taxes have often provoked dissatisfaction, and sometimes even revolts. Over time, several famous authors have spoken about this subject. Daniel Defoe, in his work *The Political History of the Devil*¹ said, "I do not think there are safer things than death and taxes"

These are two clear things. But the certainty of taxes can be confused with fatality?

The certainty of death does not make us fight less for our health. In many situations, such a struggle consumes huge resources and can generate joy and hope.

Equally justifiable may be the fight against taxes. But in this case the fight takes the form of tax optimization.

Research issue

Managing fiscal tasks is perhaps one of the most serious concerns of a participant at business environment.

Every taxpayer wants to pay to the state fiscal obligations as low as possible, some of them from the wish to maximize their profit, others because of the financial problems encountered.

In order to efficiently manage their own patrimony and to obtain a profit as high as possible, taxpayers resort to various "fireworks" in order to avoid or mitigate their fiscal obligations. Some taxpayers opt for illegal methods such as avoiding by any means from declaring or paying their tax obligations, but it is an enormous mistake to look for ways beyond the actual legal provisions, because they expose themselves to judicial problems, including the deprivation of liberty or the loss of the entire agonized patrimony.

It's not worth to risk when you have legal methods such as tax optimization that you can pay less fiscal obligations to the state budget, respecting in the same time the fiscal laws, accounting or financial laws in force. The fiscal law tends to be complicated and very technical, and its ignorance is rarely accepted as an excuse for not complying with it. The Fiscal Code, due to the changes and adjustments made, as well as the difficulties encountered in its understanding, provides several ways for a taxpayer to benefit from the reduction of his tax obligations.

¹ <https://www.globalgreyebooks.com/content/books/ebooks/political-history-of-the-devil.pdf>

Tax optimization implies compliance with the law and includes "any measure likely to reduce the tax liabilities of a taxpayer but within the limit of the law"².

This is not the result of misinterpretations of fiscal law or acts contrary to fiscal law. Tax optimization solutions imply the interpretation of fiscal legislation, usually according to the interest of the legislator, and not through reasoning or enactment of the law only in favor of the taxpayer.

More specifically, tax optimization is defined as "the technique by which any taxpayer makes a choice between different solutions offered by fiscal law in the most favorable way to his or her own interests."³

This implies, in addition to a thorough knowledge of fiscal legislation, a series of analyzes, calculations, simulations that will lead to choosing the optimal variant.

The effect of tax optimization is not only the reduction of the amount of tax liabilities paid to the state budget, but also the optimization of financial flows and redirect to investments flows that prior the tax optimization were devoted to the fiscal mandatory payment to the state budget.

According to the above mention, we can say that any economic activity has as a primary goal the realization of a profit, but as it is well known by those who are involved in such activity in recent years due to the numerous adjustments made to the Fiscal Code and other laws regulating commercial activities, most of the times up to 80% from the realized profit, are used only to strictly cover of the expenditures with the activity, payment of taxes to the state budget, payment of taxes to the local budget, social insurance, health and unemployment.

In practice, major issues raise the framing of a certain taxpayer's behavior into so-called tax optimization or in the sphere of unlawful (fiscal fraud).

² www.empower.ro/optimizarea-fiscala

³ www.empower.ro/optimizarea-fiscala

Generally, through tax optimization it is understood that taxpayer's to avoid the legal provisions, by resorting to an unforeseen combination, and therefore "tolerated," in consideration of the principle that "if the law does not prohibit, then it allows"⁴.

This form of fiscal evasion is only possible when the law is incomplete and/or inadequate. Speculating these legal flaws, the taxpayer is placed in a position which is most favorable to fiscal legislation in order to benefit as much as possible from the advantages provided by it, so that it manages to "evade" from taxation a part, more which is higher or lower in relation to its own ability than its income or assets. This is possible due to the way in which fiscal regulations provide the establishment of the taxable object.

The idea is that "a good manager is the one who has a good accountant", ⁵ the qualities of an accountant being appreciated through his efforts to minimize fiscal liabilities paid to the state.

"No one is obliged to pay more taxes than what it is mentioned in fiscal legislation"⁶ It is the taxpayer's right to decide: how it will comply with fiscal legislation; where he will accept to work and be taxed; who will become the taxable subject and the tax payer: as a natural or legal person, resident or non-resident, etc.

Tax optimization is any activity carried out within the scope of legislation, the purpose of which is to reduce fiscal liabilities through: relief, reduction, deferment of fiscal obligations; using of fiscal legislation in order to obtain maximum fiscal deductions and minimizing situations where fiscal deductions are not accepted; performing / development of taxable transactions in areas where the level of taxation, the costs and the tax risks are the lowest; the possibility of recovering fiscal losses from the subsequent fiscal results; recovery in time of tax receivables or avoidance of fiscal receivables allowing for low cost of financing fiscal liabilities.

⁴*Evaziunea fiscală, o pastilă amară*, CECCAR Bussines Magazine nr. 10, 20-26 martie 2018, <http://www.ceccarbusinessmagazine.ro/printeaza-articolul-3230/>

⁵ Monica Gabriela Tănase, *Modalități de optimizare a costului fiscal în întreprindere*, Analele Universității din Oradea, Finanțe, contabilitate și bănci, 2006, <http://steconomice.uoradea.ro/anale/volume/2006/finante-contabilitate-si-banci/87.pdf>

⁶ https://www.avocatnet.ro/articol_24177/Cum-sa-iti-optimizezi-costurile-fiscale-ale-afacerii.html

Tax optimization is not the activity developed at or outside the law which have as purpose to avoid fiscal obligations through willful exercise, with a clear intention to circumvent tax legislation through: hiding the taxable base and taxable subjects; false declaration of income or taxable base for the purpose of reducing tax liabilities; misinterpreting fiscal legislation only in favor of the taxpayer; partial reporting of transactions, transaction subjects, taxable base; performing transactions without documentation and specific reporting; obtaining, by the taxpayer, without justification, of some: fiscal credits, repayments of tax, fiscal exemptions, fiscal deductions.

Tax optimization versus fiscal evasion

"Taxes and tributes are the price we pay for a civilized society." This statement belongs to American judge Oliver Wendell Holmes and is inscribed on the American Fiscal Building. Often, however, the price is too high and the results are below expectations.

The British Inland Revenue Director explained: *"Nobody likes to pay taxes, but few are the ones who claim it would be better without them."* However, many find different ways to avoid paying their fiscal obligations. Specialty literature discusses legal fiscal evasion, meaning, that form of interpretation of fiscal legislation that, without being fraudulent, leads to a reduction in the tax base, and, thus, to the payment of lower fiscal obligations. This way of reducing the tax base is called tax optimization or legal fiscal evasion when it is viewed in relation to illegal tax evasion, which is also called fiscal fraud.

The notion of fiscal evasion is deficient to be framed into a definition this being "an illegal arrangement meant to hide the tax or ignore it, for example, the taxpayer pays less than he should have. Fiscal evasion has a negative impact on the free competition, efficiency, transparency and fairness that must exist between economic agents."⁷

⁷ Cârlescu Neculai, 2015, *Evaziunea fiscală. Comentarii și exemple practice*, Ediția 3, Ed. C.H. Beck, București

Fiscal evasion is defined as "the evasion by taxpayers (Romanian or foreign natural or legal persons), in various ways, in whole or in part, of the fiscal obligations, namely the payment of taxes, duties and other amounts owed, to the state".⁸

Tax optimization represents "the technique through which the taxpayer makes a choice between the solutions offered by fiscal law in the most favorable way".⁹

From the definition of the two notions, it can be clearly inferred that fiscal evasion is an illegal method of avoiding by any possible means, and tax optimization is the opposite of fiscal evasion, meaning the use of legal methods to pay as few tax liabilities as possible.

The specific of legal fiscal evasion (tax optimization) is that the subject (the taxpayer) does not conceal the source or the taxable matter, but simply, by using (applying) of some legal rules, manages to avoid the payment of certain fiscal obligations or to reduce the amount of some debts to the budget.

Even if the taxpayer is subjectively acting in bad faith or immoral, this can not be considered illicit because it is achieved through the use of existing legal norms in the matter.

The specific of illicit fiscal evasion, also called fraudulent fiscal evasion, consists in the fact that, although the law is clear about the existence of fiscal obligations, the taxpayer pursues their failure to pay, often using some illicit means. For example, falsification of documents, the destruction of accounting documents or data storage media, the creation of unreal accounting records, the failure to report any operations carried out; highlighting fictitious operations; producing fictitious payment proofs; hiding of goods that represent taxable sources; non-declaration of taxable income; performing unregistered business activities, etc.

Analyzing the two notions, we can conclude that the difference between these two notions is very clear: if fiscal evasion is an illegal phenomenon (stealing by any means), optimization is the opposite: using legal methods to pay as few tax liabilities as possible a permissible fact, located outside of the criminal or contravention illicit).

⁸ Vanina Adoriana Boglea, Luminița Ioana Mazuru, 2008, *Elemente de Fiscalitate*, Editura Universității „Aurel Vlaicu”, Arad.

⁹ www.empower.ro/optimizarea-fiscala

How we do the tax optimization

In order to achieve the most effective fiscal deduction solutions, each taxpayer must apply a strategy that takes into account the influence of the following factors on the business he is leading:

- The legal form of organizing the activity - what legal structure would be the most advantageous from fiscal point of view for the business it is going to carry out? Is the current legal structure the best fiscal option for my business?

- Business duration.

- The type and nature of the business (industry, commerce, agriculture, transport, services, etc.) - what does it produce, what does it sell, and what services does the taxpayer provide?

- Legal restrictions imposed by the industry in which the taxpayer operates or the general legislative framework - which is the specific nature of the taxpayer's business?

- Taxpayer market.

- The volume of external services and the residence of the providers of these services.

- The number of employees, residence and manner of remuneration.

- The form of taxation, meaning the form of income tax (PFA/corporate tax/micro-enterprise) and the form of tax of value added (payer/non-payer of VAT).

- Estimated turnover for the next years.

- How to finance the business - loans for associates, banks, leasing, and other forms of financing.

- Operation cycle of the business - when will be made investments/when is expected the beginning of the recovery of investments made/when is estimated getting the profit?

- The distribution way of the dividends.

- Who are the customers, suppliers, what are the basic contractual terms - the payment deadline/collection/payout/payment period, guarantees, etc.

- The getting out way from business. What fiscal obligations appear when liquidating or getting out from business? What should be prepared in this way so that fiscal obligations can be reduced?

Tax optimization in case of a micro-enterprise. When is it opportune to hire an employee?

The fiscal regime applicable to micro-enterprises introduced by Government Ordinance no. 24 of 2001 has rearranged the legal context of taxation, causing the division of legal entities and the emergence of a new category of micro-enterprises.

They are subject to a differentiated system of tax rates, determined by the number of the employees. Specifically, micro-enterprises with at least one employee with full-time individual labor contract, owe to the state budget a tax of only 1% of the realized incomes achieved and micro-enterprises without employees apply a tax rate of 3% on the realized incomes.

The regulations regarding the tax on the micro-enterprises income have undergone several changes related to: the inclusion of an economic entity in this system, the tax rates, the option to apply the profit tax regime, the ceiling for incomes achieved.

The year 2018 started with a so-called "fiscal revolution" triggered by the entry into force of some legislative amendments in the fiscal field according to Government Emergency Ordinance no.79 / 2017 for amending and completing the law no. 227/2015 on the Fiscal Code, published in the Official Journal of Romania 885 from 10 November 2017.

An important legislative change aimed the reorganization of the mandatory social contributions due to the state, by transferring the contributions due by the employer to the employee. Concretely, this year there are only three mandatory social contributions, compared to six, which were until the end of 2017. This reorganization of the system of mandatory social contributions owed to the state brings about a change of "presentation" of the gross salary and should be analyzed simultaneously with the decrease of the tax on incomes from 16% to 10% and an increase of the gross minimum salary on the economy to 1.900 lei per month.

In this article, we want to present a possibility of tax optimization applied to a micro-enterprise and which make reference to the number of employees.

In this approach, we will start from the following question: What is the threshold of income achieved (turnover) at which it is appropriate for a micro-enterprise to employ an employee?

In order to answer to this question, we will calculate the total fiscal liabilities paid by a micro-enterprise without employees compared to the total fiscal liabilities paid by a micro-enterprise that has an employee with the gross minimum salary of 1.900 lei per month, without dependents and normal conditions the work. For this employee, are paid:

Employee contributions:

- The Social Insurance Contribution in the share of 25% of the gross salary, for normal working conditions.

$$\text{Social Insurance Contribution} = 25\% \times 1900 = 475 \text{ lei}$$

- The Social Health Insurance Contribution in a 10% share of the gross salary.

$$\text{Social Health Insurance Contribution} = 10\% \times 1900 = 190 \text{ lei}$$

In case of this current research were taken into account the fact that the employee has no persons in maintenance. In this case, the personal deduction established in accordance with Government Emergency Ordinance 79/2017 for an employee member without persons in maintenance and a gross monthly income of up to 1.950 lei is 510 lei

The salary tax applies to a taxable income that is equal to gross salary - employee contributions - personal deduction.

$$\text{The taxable salary} = 1900 - 475 - 190 - 510 = 725 \text{ lei}$$

$$\text{Tax on salary} = 10\% \times 725 = 73 \text{ lei}$$

The net salary calculation formula is: Net Salary = Gross salary - Employee Contributions - Salary Tax

$$\text{Net income} = 1900 - 475 - 190 - 73 = 1.162 \text{ lei}$$

Employer contributions

The Employer shall have entrusted a single contribution entitled Work Guarantee for Work, in value of 2.5% which is assigned to five budgets, as follows: 15% to the guarantee fund for the payment of salary claims, 20% to the unemployment insurance budget, 5% to the insurance system for accidents at work and occupational diseases, 40% to the single national health insurance fund for the payment of medical leave and 20% to the state budget, in a separate account.

Work Guarantee for Work = $2,25\% \times 1900 = 43$ lei, as follows:
- $15\% \times 43$ lei = 6.45 lei - Guarantee fund for the payment of salary claims
- $20\% \times 43$ lei = 8,6 lei - Unemployment insurance budget
- $5\% \times 43$ lei = 2,15 lei - Insurance system for accidents at work and occupational diseases
- $40\% \times 43$ lei = 17,2 lei - for payment of medical leave
- $20\% \times 43$ lei = 8.6 lei - to the state budget, in a separate account.

For an employee with a gross monthly salary of 1.900 lei and net monthly of 1.162 lei, the micro-enterprise will pay a total of 781 lei out of which 738 lei social contributions and tax due by the employee and 43 lei the contribution due by the employer. Thus, the total tax liabilities of the employee and the employer paid for an employee with a minimum salary (1.900 lei) during a year are 781 lei / month \times 12 months = 9.372 lei

Besides the 9.372 lei paid annually, the micro-enterprise with at least one employee with an individual full-time contract, owes the state budget a tax of 1% from the realized incomes.

If the micro-enterprise has no employees, the total fiscal liabilities paid to employees are zero. It has to pay only a 3% tax from the incomes achieved.

In the case in which the micro-enterprise has no employees, the total fiscal liabilities paid to employees are zero. It has to pay only a 3% tax from the income achieved.

Table 1: Fiscal liabilities paid by a micro-enterprise with employee versus fiscal liabilities paid by a micro-enterprise without an employee

	Micro-enterprise with employee	Micro-enterprise without an employee
Contributions + Employee tax / year	9.372	0
Taxation rate	1%	3%
TOTAL fiscal liabilities	9.372 + 1% x income achieved	3% x incomes achieved

Source: realized by authors based on the calculations above

We intend to determine further what is the threshold of income at which it is appropriate for a micro-enterprise to employ an employee?

For this we will determine the income threshold for which the total fiscal liabilities paid by a micro-enterprise with an employee and a micro-enterprise without an employee is the same, starting from the following formula:

$$9372 + 1\% \times \text{realized income} = 3\% \times \text{realized income}$$

$$\rightarrow \text{Realized income} = 468,600 \text{ lei}$$

So, in the case of a micro-enterprise with an employee and an income of 468.600 lei, the total cost incurred during one year is 9.372 lei (contributions + employee tax) and 4.686 lei (1% of CA), a total of 14.058 lei.

In the case of an micro-enterprise and a realized income of 468.600 lei, the total cost incurred during one year is 14.058 lei (3% of CA).

In conclusion for a micro-enterprise without an employee it is appropriate to have an employee when it exceeds the income threshold of 468.600 lei. Below this threshold, it is advisable to operate without employees.

Conclusions

The solutions of tax optimization can help taxpayers to opt for the possibilities offered by fiscal legislation by strictly enforcing the existing legislation, but benefitting from the tax incentives offered and always adapting solutions found to the new reality generated by permanent changes of the fiscal legislation.

Tax optimization represents a legitimate right for any taxpayer as long as they do not fraud the fiscal law. As long as the leverage used is fair and legal, being used with morality and civic sense, there is no question of fiscal evasion, taken account by the fact that fiscal optimization starts from the provisions of the current fiscal legislation.

The fiscal regime applicable to micro-enterprises introduced in our country starting with the year 2001, has suffered several changes related to: the inclusion of an economic entity in this system, the tax rates, the possibility of option to apply the profit tax regime, the ceiling of incomes achieved.

Following the study realized, on the income threshold (turnover) at which it is appropriate for a micro-enterprise to employ an employee, we consider it appropriate for a micro-enterprise to have an employee when it exceeds the income threshold of 468.600 lei and below that threshold it is advisable to operate without an employee.

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Communication with the Citizens for an efficient Management of Investment Projects Proposals in Large Infrastructures with the purpose of Accelerated Economic and Social Development by using Statistical Methods.

S.G. Szentesi

Silviu Gabriel Szentesi

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The paper aims to improve the communication with citizens in the case of the foundation of large infrastructure projects, starting with the needs and proposals expressed as a result of the questioning of the citizens through the survey, which are concretized in proposals for local projects that lead to the modernization of the city and economic and social development of the community and area.

Keywords: sustainable development, communication with citizens, Integrated Gross Market, Monorail, Project, survey.

Introduction

At the beginning of the twentieth century, from Arad, an electrified narrow railway was built in the area of Arad and until Pâncota. It was between 1913 and 1965 the only electrified railway and especially the only narrow one. The railway was built in 1906 and had a total length of 58,318 km, and the electric train in the Arad Vineyard was known as the green arrow, and linked the city of Arad to the Ghioroc, Pâncota localities in the wine-growing zone at the foot of the Zărandului Mountains in the vineyards Arad and Radna on the Mureș Valley. This train has stimulated the development of local markets in these localities, the production and trade of commodities, especially agricultural products.

At present, there is a need to redevelop this exchange and to stimulate domestic agricultural production, as there is a remarkable potential in Arad County. To this end, together with the local administration in Pecica, a study was launched on the need and opportunity of an integrated wholesale market and a modern transport mode to ensure the rapid movement of consumers and goods. Starting from these studies, based on the opinion of the citizens of Pecica and other studies on the transport of the Monorail (Over ground Metro), appeared the idea of this project of the integrated wholesale market and of the Monorail transport between Pecica and Arad with the possibilities of future extensions of these links.

Research issue

A study based on communication with the citizens of the city was carried out by collecting the proposals based on a survey in which 364 citizens over 18 years of age were surveyed in the City of Pecica, a stratified survey was applied on the areas of the locality and the social structure. There were registered the opinions and proposals of the citizens regarding the development of the locality, after which from these proposals were developed two projects that are combined, namely the Integrated Gross Market and the transport with Monorail on the route Pecica-Arad-Pecica. Monorail Transport is an environmentally friendly one and ensures sustainable development of the area.

Literature review

Today's managers need to understand the importance and possibilities offered by all forms of communication, and to pay more attention to some of the negative aspects of communication. Communication between managers/administrators, and employees/citizens is essential, primarily because communication provides the exchange of information that is necessary to deal with future tasks within an organization or administration. Communication and communication efficiency in particular is so closely related to the performance of a manager (Szentesi S.G.Note Course Management Communication ppt.2018).

Sometimes a communication to the external environment of the organization, deficient or conducted without a good preparation of the message can generate negative reactions from customers/citizens or stakeholder groups. There are practical examples that clearly show how important it is for managers to understand the significance and impact to understand the influence of communication (Robbins et al., 2014). Before a communication can take place, there must be a communication goal that is expressed in the form of a message, that is, in the form of the intention of communication. This message is transmitted from a source (sender) to a recipient and is translated by symbolic decryption. From an issuer a message is sent through the medium (channel) and the message arrives at the recipient, which then rewrites the coding of the symbolic language and decodes the message. The result of this process is the transfer of information or opinions from one person to another (Szentesi S.G. Course Notes Management ppt.2018).

A first and very widespread method in collecting marketing data is questioning. Quality questionnaire involves two methods: in-depth interviewing and group discussions while quantitative questioning deals with standardized oral questioning, standardized questionnaire, standardized questionnaire or online questionnaire (Szentesi SG, Săbău FS2009).

The purpose of the financial analysis of investment projects is to decide on the realization of those projects that will maximize the market value of the share capital of shareholders/citizens of commercial companies or community. For project appraisal and to decide whether these projects are accepted for inclusion in the investment budget, the valuation practice uses: The method of the Payback Period (T); Net Present Value (NPV) method; Internal Rate of Return (IRR) Method; Modified Internal Rate of Return Method (MIRR) (Szentesi S.G., at al. 2009).

Project proposals are based on the studies and research carried out at the level of the European Union commission, respectively the EU 2050 Europe report in which Monorail is appointed to be a major way of transport for the upcoming period.

Research methodology and the results of the study

The study was conducted on the basis of a study, conducted together with the local administration, in which 368 citizens from 18 years of age from Pecica were surveyed, a stratified study was applied on the area of the locality. The applied survey was repeated with a maximum error of $\pm 5\%$, a confidence interval of 95%, a percentage of 50% for the p and q values. The theoretical value of a survey is 384 is for a repeated poll and 368 for an poll which is not repeatable, but after the collection and validation of the questionnaires, respectively the elimination of the disabled, there remained 368 questionnaires filled in appropriately. After using a development of the market organization structure, a description of how it works and a technique for the Monorail train route. The fundamental results of the research are presented below.

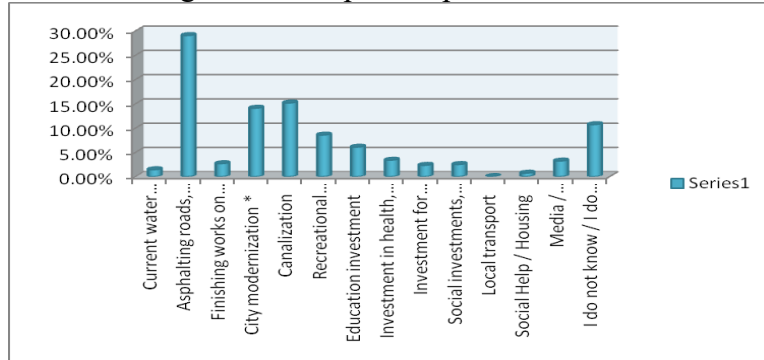
Total Headset Results

1. What do you think is the most important problem that should be solved in Pecica and / or your village? (Fig.1)

Current water network, extension	1.42%	8
Asphalting roads, streets	29.05%	163
Finishing works on modernisation streets	2.67%	15
City modernization *	14.08%	79
Canalization	15.15%	85
Recreational investment, beach, park	8.55%	48
Education investment	6.06%	34
Investment in health, hospital, etc	3.38%	19
Investment for creating jobs	2.32%	13
Social investments, centers	2.49%	14
Local transport	0.02%	1
Social Help / Housing	0.71%	4
Media / Communication / reorganization	3.20%	18
I do not know / I do not answer	10.70%	60
Total	100.00%	561

* Modernization of the city: traffic lights, artesian fountains, pedestrian crossings, sidewalks, green areas, parks, leisure areas, city care, cleaning, local integrated market, electricity network, public lighting etc.

Fig.1. Most important problem of Citizens



Argument-Gross integrated market. To capitalize on own agricultural production in Arad County; Mini-slaughtering to stimulate livestock farming in the area, livestock and reduce imports; Increasing household incomes, local circulation of money, avoiding foreign exchange outflows in Romania through unjustified imports, Exploitation of agricultural potential, More natural food, Developing consumer and commodity mobility from and to large cities - Ex. Arad, Timisoara, Szeged.

Mode of operation (Fig.2)

Collecting production and supply of agricultural products in the area from individual local producers, small producers or medium size companies; Pre-contract for plant production and animal husbandry; Direct offer from individual producers to wholesale market; Primary processing; Slaughtering, planning of cuts for many or fewer animals; Wholesale Offer to Hypermarkets; Specialized online marketplace for online transactions and orders: OLX, lajumate.ro, Proposed: laPIATAgros.ro

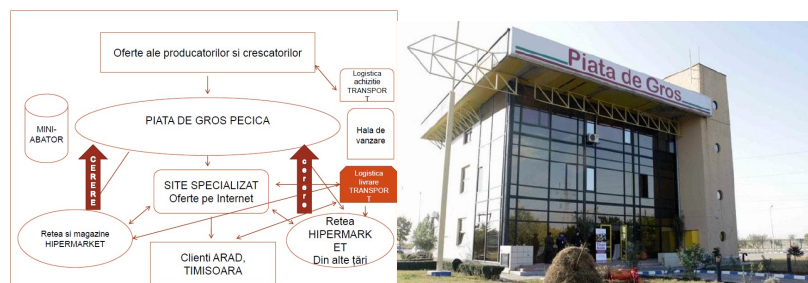


Fig.2. Gross integrated market.

1. Organoleptic analyzes: odor, taste, appearance, etc .;2. Physical analyzes: temperature, pH, water quantity, texture, water binding capacity; 3. Chemical analyzes: protein content (Kjeldahl), fat (Soxhlet); 4. Microbiological analysis: Selective analyzes (Salmonella, Sureau, Enterobacteriaceae).

Mobility of customers and products is a desire. Ensuring transport in case of procurement from small and medium-sized producers, without transport possibilities; Transport of collected, sorted and semi-processed products (animal slaughter, cutting, transshipment) and contracted by the gross market to Hypermarkets; Ensuring the mobility of the consumer audience in Arad, Timisoara to the Gross market like individual consumers, private stores, local merchants, small processors, etc. The solution for the general public: Monorail transport Arad-Pecica (Fig.3).

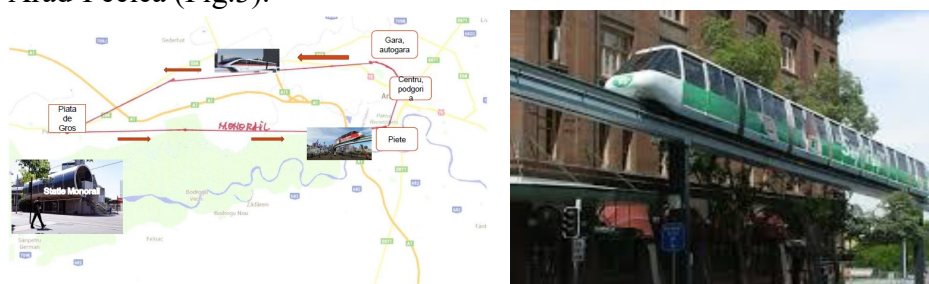


Fig.3.Monorail transport system

Conclusions

The project has a lot of advantages and leads to the economic and social development of the area. It can be done in Arad, the Project generates jobs; It can be financed by the ROP, Ensures a real mobilized, and much higher CTP dynamics. Connects effectively to neighboring localities, industrial area, Arad and Timisoara Airports, Can be extended Hungary Beckes, Mako; Ensure labor mobility; Fast access to integrated wholesale markets. Projects can be funded by the EU through structural funds.

The success of such projects communication is essential both from citizens to administration, regarding the problems and needs of the communities, as well as from the administration to the citizens. Appropriate Communication between the administration and the citizens concerns the proposed projects and their impact on the economic and social development is vital our days.

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Methodology for Solving Quality Problems at S.C. Loni Wiring Systems RO S. R. L.

L.S. Bălan, A.E. Spînu

Leonard Sergiu Bălan

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Adina Eleonora Spînu

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

All the employees of Leoni Wiring Systems RO S. R. L. who are in a position to solve a problem or a situation of quality improvement, have the responsibility to apply the defined methodology and tools. All managers have the responsibility to ensure that the organization they run has the necessary skills to use specific methods, such as: Pareto analysis, Cause-effect diagram, "5 Why" analysis.

Key words: organization, quality, responsibility, efficiency

A) Methods - Attitude – Thinking

In order to continually improve the efficiency of the organization, the quality of the products and processes, a structured approach to work with proper thinking is needed.

The ability to improve is mainly based on the ability to detect and identify weaknesses. This is the detection phase.

Then, a key point for efficiency is to properly communicate these weaknesses to the relevant people, in a way that they will understand the situation, in order to be able to attribute the problem to the responsible person. This is the communication stage, which includes the appointment of the persons in charge and their teams to carry out the analysis. For better efficiency, the team should include people directly involved in this issue, including operators I when needed.

The next step is to analyze the problem using the correct data and tools, in the analysis phase. Finally, after the corrective actions have been introduced, it is necessary to check whether the solutions are effective and to ensure that the "lessons learned" from this problem are fully integrated and used in standards, in order to avoid repeating the problem. This is the verification phase.

To be effective, these tools require minimal behavioral qualities from LEONI employees: reaction to a problem, involvement in the communication and management of the problem, rigor in the analysis, autonomy to decide the measures, to decide the opportunity and their efficiency.

Problem analysis must be 100% based on actual facts and facts. To ensure this premise, the following principles must be respected:

- To go where the problem appears immediately after the detection phase, in real time, searching, observing and asking people in the real environment, to find the factors that could have contributed to this problem;
- Do not create information without verifying it. Ask them to see the really wrong component, to see the really correct component, to find the differences between them and to understand where the problem is;
- Use concrete data. Be sure, by checking product or quality records, by measuring and retesting problem-generating components.

The methods used by LEONI employees associated with the attitudes shown above will lead to better quality.

For example, in the Bentley harness testing area in Arad, the test operators pass all the faults on the wiring to the daily fault report.

The exchange manager checks for mistakes in real time and fixes the defect if necessary.

One type of error commonly detected in the test is "wrong cavity wire". Check in traceability where the wire is inserted. Carousel or pre-block, then identifies the operator that generates the problem. At the same time, the quality auditor checks the existing stock on line, and the rework operator makes the correction if necessary.

Also, the causes that could cause the problem are identified. The most common causes are incorrect information on the board or chart and inattention by the operator.

B) Problem solving process

The criterion of development when finding a problem is divided into different phases with clear objectives and supported with specific tools.

This process follows a concrete approach from the detection of the problem to the complete resolution of it, including the lesson learned and the updating of the standards (Table 1).

Phases	Objectives	Tools
DETECTION	<ul style="list-style-type: none"> To clearly define the problem as seen by the customer and by LEONI (supplier); The same approach will be used for the supplier-internal customer relationship; 	<ul style="list-style-type: none"> 6 W: WHAT: What will we do? WHY: Why would we do that? WHERE: Where will we do this? WHO: Who will do this? WHEN: When will we begin this process? WHICH: Which will be the tools used?
COMUNICACION	<ul style="list-style-type: none"> To inform the organization and to establish immediate actions; Protect the customer (no longer use non-compliant products, no longer send non-compliant products); To learn from problems; 	<ul style="list-style-type: none"> PDCA for informing people about immediate actions; Defining the sorting activities (criteria that must be verified and registered); Records of the sorting activity;
ANALYZE	<ul style="list-style-type: none"> Understand the difference between compliant and non-compliant products; Understand the difference 	<ul style="list-style-type: none"> Test plan; Ishikawa or 6M diagram; Factor tree analysis (FTA = Document that centralizes the results of the 6M

	<p>between non-compliant and standard products;</p> <ul style="list-style-type: none"> • Understand the cause of the problem; • To confirm the cause of the problem; • Understand and define corrective actions. 	<p>analysis and the comparison between the right and the wrong situation, between the wrong and the standard situation);</p> <ul style="list-style-type: none"> • Analysis of "5 Why"; • Simulation of the defect; • PDCA for defining the action plan;
VERIFICATION	<ul style="list-style-type: none"> • To verify the implementation of the corrective actions at the basic level; • To evaluate the efficiency of the corrective actions; • To identify the "lessons learned" from this problem; • To improve the standard; • To share the things learned with the organization. 	<ul style="list-style-type: none"> • Audit sheet; • Tracking charts, quality records; • The "lesson learned" card; • Standards; • Transfer of CIP (improvement ideas) / Knowledge management.

Table 1. - "Problem solving process"

C) Detailed description

1. Description of the problem

- 5W - 2H - The customer's point of view

This tool allows a correct and real description of the problem, as seen by the person who detected the problem.

- The LEONI point of view

This description includes the basic questions for a better understanding of the situation seen by a specialist.

The purpose is to quickly identify the differences between compliant and non-compliant products, not thinking in terms of effect, but thinking in terms of differences that generate the effect of the defect. It will also allow the extended definition of the problem by checking the data in the product history and the defect.

2. Sorting activity

This activity covers two important objectives: protecting the client and learning from the sorting.

- The first activity to be carried out in order to protect the client is to identify situations where we may have similar problems: which products, production lines, equipment present this risk, but also the number of products and equipment that present this risk. The second activity is to define the principles that must be followed for the sorting of conforming and non-compliant products, a sorting instruction must be made that includes a data record sheet. The next activity is the sorting.

- Sorting conforming products from non-compliant products is the sole purpose of sorting. Sorting is a good opportunity to better characterize the problem and its implications. Therefore, when defining the sorting criteria, it is important to include additional data on the registration form, such as production data, cavity number, operator names, equipment, tool identification number.

- Sorting involves additional costs at company level, costs that increase the production value of the finished good. By default, the company will record a loss in profit.

3. Analysis

The analysis is based on the basic tools of quality.

The nature of the analysis tools used depends on the problem and its severity. For official complaints and recurring complaints the analysis should be done as widely as possible.

- 6M analysis or 5M analysis ("Fish bone" chart);
- Comparison between the compliant and the non-compliant situation, in order to understand the differences that generated the problem;

- Comparison between the non-compliant and standard situation (specifications). The objective is whether the specification or standard is compliant or non-compliant.

The analysis should cover at least two aspects:

- Why did the problem occur? → Occurrence analysis;

- Why didn't the LEONI organization detect the problem? → Non-detection analysis

These steps of the analysis will allow to identify the possible causes of the problem. The next step is to analyze the problem more closely to find out the root cause of the problem.

4. Identify the root causes

- Analysis of "5 Why"

For official complaints it is compulsory to use the "5 Why" method to discover the basic causes, and for recurrent complaints (unofficial or internal) it is obligatory to use the "3 x 5 why" method.

The "3 x 5 Why" or "Detailed Analysis" ("DRILL DEEP") method should be applied to the causes identified by the following aspects:

Issues related to the occurrence or why the process did not prevent the defect from occurring?

Issues related to non-detection or why the process did not protect the client from this defect?

Issues related to prevention or why quality planning did not predict the defect?

The third aspect can be discovered with the first two, if they are sufficiently detailed.

- Simulation of the defect

The last, very important operation is to ensure that the correct causes have been identified. This step is based on the principle that the same cause causes the same defect, and when relevant, the defect can be reproduced to confirm the cause. In this case, the conditions of reproduction of the defect and of the parameters or symptoms to be analyzed must be clearly defined.

5. Implementation of corrective actions

When the analysis is completed and the cause is identified and confirmed, a corrective action plan should be established to cover all identified causes. For each action a responsible person will be appointed and a deadline for its fulfillment.

The person responsible for analyzing the problem is obliged to ensure that all actions are implemented within the established deadlines, according to the Action Plan.

6. Verifying the implementation and efficiency of the corrective actions

Once the action plan is established, it is necessary to check whether all actions are correctly implemented at the grassroots level. If it is necessary to train the personnel, the verification is carried out for all the personnel involved, in all exchanges.

In order to ensure that the corrective actions are effective, it is necessary to define the indicators to be followed including the content, the frequency of the control, the responsible person and the registration sheet.

The actions are definitively closed when the effectiveness of these corrective actions is demonstrated.

The corrective action plan includes updating the affected standards.

7. Capitalization

Any problem analyzed and solved is an opportunity to improve the efficiency of LEONI through its organization and processes.

In order to avoid the recurrence of the same problem, the factory where the problem was solved must ensure the updating of LEONI standards and share the experience with the other LEONI factories.

The team that performed the analysis must define what they learned by appearing or not detecting this defect. Thereafter, the team will complete one or more "Lesson Lesson Learned" files in a way that the reader can understand the problem, its causes and the actions that have been implemented.

These documents will become a support for learning the new employees of the factory affected by this problem. It is also a document that can be used during process audits to ensure that decisions are still implemented at the grassroots level.

D) Completion

Exposure of the problem to the client and its analysis must be performed using the 8D defect analysis report.

A centralized sequential numbering of the analyzes will be realized and controlled by the Quality Department of the factory, including in this numbering the production code of the factory.

Recordings of problems and data relevant to their analysis is made in OMNITRACKER. There is currently no specific system for recording and disseminating "Lessons Learned". Each factory is free to define its own management system until a standard LEONI system is developed.

Conclusions

S.C. Company LEONI Wiring Systems RO S.R.L. it handles both official and unofficial complaints seriously. Any problem analyzed and solved is an opportunity to improve the efficiency of LEONI through its organization and processes. All employees within the Auto Wiring Division who are in a position to solve a problem or an improvement situation have the responsibility to apply the basic quality methodology and tools.

The person responsible for analyzing the problem is obliged to ensure that all actions are implemented within the established deadlines.

In order to ensure that the corrective actions are effective, it is necessary to define the indicators to be followed including the content, the frequency of the control, the responsible person and the registration form. The actions are definitively closed when the effectiveness of these corrective actions is demonstrated.

In the paper I analyzed the problems related to the quality complaints faced by the Bentley department.

The most frequent complaints were due to the "Terminal not introduced" defect. At the level of 2016 there were 1290 complaints related to this problem, their average monthly being 102 complaints.

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Analysis of the Risks Linked to the Romanian Souverain Debt Portfolio

L.C. Risti

Lucia Camelia Risti

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The approached theme proposes that, within the context of the increase in the last years, of the stock related to the Romanian sovereign debt portfolio, to analyse the conditions and factors which have generated this increase and from here the risks inherent which sketch in this situation. Until the beginning of this decade, Romania revealed prudent public financial policies, not only with regard to abiding by the budgetary deficits threshold imposed by the Stability and Growth Treaty, but also with regard to the management of the souverain debt, in the latter domain revealing, however, in the context of the last years, some skid marks, even though the community recommendations have not been breached.

Keywords: sovereign debt, public debt stock, management risk, public debt service, tax-budgetary strategy.

Introduction

The accumulation of the sovereign debt stock in order to finance public investment projects, according to the theoretical predictions insures its restitution without financial convulsions on behalf of the governments, once started these investments they insure the restitution of the loans from their own benefits. It is obvious that the situation is inverted in the case of the debts accumulated for the financing of some current expenditure, including those regarding the insurance of the public pension pillar's functioning, budget with years of deficit in Romania.

Therefore, the analysis of the conditions within which the sovereign debt is created, but also of the risks inherent to its stock management is of the highest importance in the public financial management. Because all the elements connected to the sovereign debt generate costs sustained, in the end, from the taxpayers' duties.

Research issue

In our analysis we will research not only the risks linked to the internal sovereign debt stock, but also those linked to the external public debt management. The internal public debt, as part of a state's public debt, accounts exclusively the loans contracted on the internal financial market, by this being understood also the loans from the general current account of the state's Treasury which together form the internal fluctuating public debt to which it is added also the securities awarded by the Romanian state for the loans contracted from various entities which benefit of the securities undertaken by the state for their loans on the internal financial market.

The accumulation of the governmental public debt is generated by the financing of the state deficit, the procurement of the amounts necessary to carry out the public debt service, as well as its refinancing, the financing national strategic priorities of some public investments of national interest, the application of the restructuring plans of some national companies or the requirements to supply with resources the general current account of the state's Treasury.

Literature review

The effect of the policy regarding the central bank's reference interest upon the public debt cost was emphasized through the analysis¹⁰ carried out by Bloise and Reichlin, who show that, in the case in which the Central Bank stabilises the nominal interest level, the level of the debt cost remains undetermined when at least part of the public debt is made up of securities with an infinite maturity, even under a non-Ricardian policy regime.

¹⁰Bloise G., Reichlin P., [*Infinite-maturity public debt and the fiscal theory of the price level*](#), Journal of Economic Dynamics and Control, Volume 32, Issue 6, June 2008, Pages 1721-1731;

Indeed, in our simplified economy, the comparison of the two distinct equilibria, the distance between the perpetual equilibrium prices becomes arbitrary for a long period, this being mathematically written as:

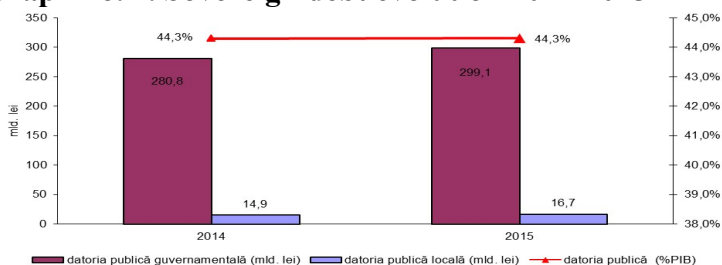
$$|q_1^a - q_1^b| = (1 + r)^t |\gamma^a - \gamma^b|$$

Woodford (2001) proposes a slightly different formulation of the fiscal theory regarding the price level. When it is analysed the case of an infinite maturity of the public debt, he presupposes that the government is capable to carry out a political security support of the debt price such that, actually, the security price over time constantly crosses a journey provided by the nominal interest rates. Indeed, this would represent a full establishment of the debt price level.

Research methodology

In the context of the macroeconomic evolutions and of the internal and external financial markets, the contracted public debt in accordance with the provisions of the Emergency Government Ordinance no. 64/2007 regarding the public debt, was in 2015 (the last financial year for which the government has published statistical data) in the amount of 315,8 billion lei, of which the governmental public debt was of 299,1 billion lei (representing 94,7 % of the total public debt), while the local public debt was of 16,7 billion lei (representing 5,3 % of the total public debt). The increase of the of the public debt in 2015 compared to 2014 by 6,36 % was determined mainly by the requirements to cover the state deficit and to refinance the due rates of the of the public debt and for which no current resources were identified.

Graph no. 1. Sovereign debt evolution 2014-2015

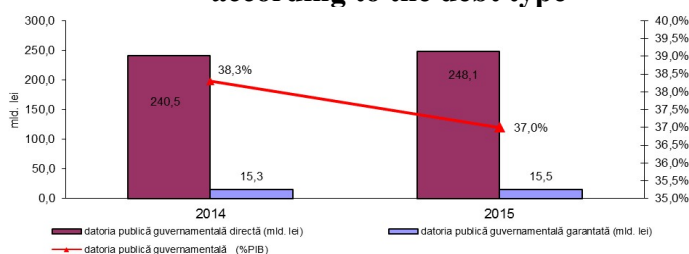


Source: www.mfinante.ro

The governmental public debt on December 31st 2015 was in the amount of 263,6 billion representing 37,0% of the GDP.

Moreover, we also mention the fact that the largest ration in the total governmental public debt was represented by the direct governmental public debt (34,8% of the GDP), which registered a decrease by 1,2 percentage points compared to the end of 2014, the difference being represented by the secured governmental public debt. During 2015, the secured governmental public debt remained relatively at the same level, in the conditions in which it neither represented a significant value of the total, it being the consequence of the securities granted by the Romanian state for the unfolding of the governmental programs, such as the following graph illustrates:

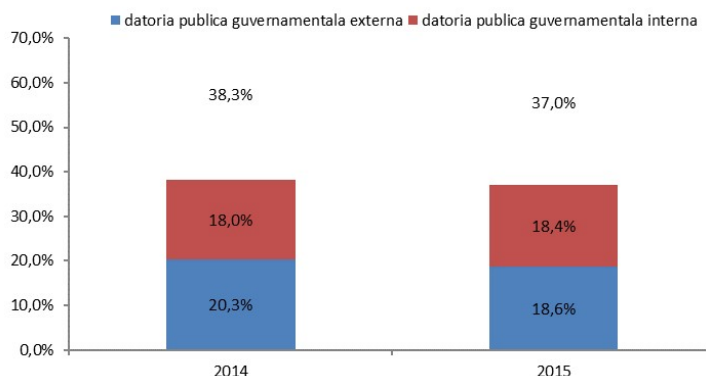
Graph no. 2: Governmental public debt according to the debt type



Source: www.mfinante.ro

Referring in the following to the governmental public debt existing at the end of 2015, approximately 49,8% was *debt contracted by residing creditors* and 50,2 % by non-residing creditors. The largest part of the *internal governmental public debt* was made up of government bonds, and the external debt was made up of euro bonds issued on the international capital markets and external loans contracted from official creditors and commercial banks.

Graph 3: Governmental public debt according to the criteria of the creditor's residency (% of the GDP)



Source: www.mfinante.ro

In 2015, The Public Finance Ministry continued, like in the previous years, the issuance policy of mainly debt *negotiable instruments*, such that at the end of 2015, the ratio of the government bonds represented 73,3 % of the total governmental public debt compared to 70,6% at the end of 2014, a ratio of more than 70 % of the total showing the tendency to continue the prudential policies of the Romanian authorities for the control as much as possible of the cost of loans carried out by the state. With regard to the government bonds in the short term, these represented only 3,5% of the total governmental public debt, the authorities learning, on the one hand, the lesson regarding the refinancing risk, and, in the same time throwing the weight of the service for extinguishing them during the following decades and upon the following generations.

In the following graph it can be seen the structure by financing instruments at the end of 2015:

**Graph no. 4: Structure by type of instruments
of the governmental public debt (% governmental public debt)**



Source: www.mfinante.ro

The service of the governmental public debt linked to 2015 has known additional financing needs (1,3 billion lei) compared to 2014, which can be observed in the following table:

Table no. 1 Execution of the Romanian public debt service in 2015 versus 2014

		- Billion lei-	
Specification		2014	2015
Governmental public debt service of which:		57,6	58,9
- direct		56,5	56,3
- secured		1,1	2,6
Governmental public debt service of which:		57,6	58,9
- Capital rate		48,0	49,7
- Interest and commission		9,6	9,2

The situation of the evolution in the period 2014/2015 of the *indicators regarding the external Governmental public debt service, of the costs linked to their payment* but also of their communication of the other economic and financial indicators linked to the Romanian relations with the overseas is presented thus:

2014 2015

1. Governmental public debt service		
/Goods and service export	4,6%	7,6%
2. Interest linked to the Governmental public debt service		
/ Goods and service export	1,6%	1,7%
3. Interest and fees / Consolidated general budget income		
.....	4,5%	3,9%
4. Interest and fees / Consolidated general budget expenditure		
.....	4,3%	3,8%

Performance of the risk indicators in the year 2015/ 2014

a. Evolution of the indicators regarding the currency risk

If at the beginning of 2015, *the indicator regarding the governmental public debt ratio in euro in the total currency governmental public debt* registered the level foreseen in the Strategy regarding the public debt management for 2015, during the rest of the financial year the indicator registered levels under the established minimum target due to the failure to launch the euro bonds issuance plan on the external capital markets, a thing caused by several difficulties determined by the garnishment requests for the amounts which were paid or cashed in by Romania through accounts opened in various financial institutions outside the country.

The penetration of the external markets was carried out at the end of 2015, this following the increased volatility manifested on the external capital markets and moreover on the background of the tensions generated by the reimbursement difficulties of the Greek payment obligations to the International Monetary Fund, as well as on the background of the political, economic and financial incertitude in Greece, this country failing to sign, during 2015, an agreement with the international creditors.

With regard to the *ratio of the governmental public debt denominated in lei in the total of the governmental public debt* it was kept within the targets indicated in the whole financial year strategy, the increase being insignificant from 41,3% at the beginning of the year, to 42,7% at the end of the year, following the benchmark titles issuance, yet it would have been preferred for the trend to be a decreasing one.

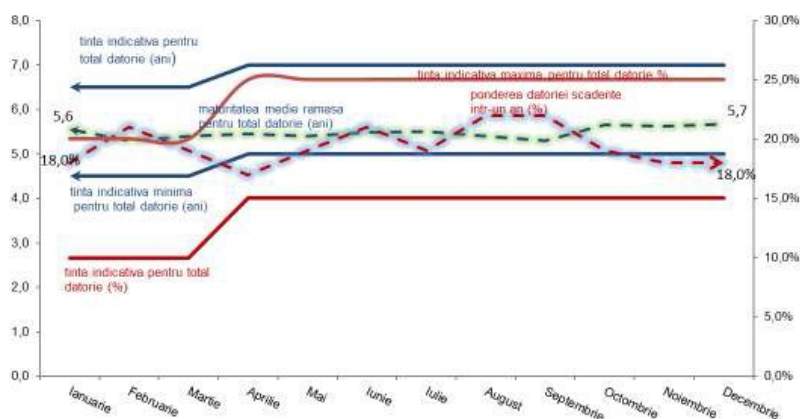
b. Evolution of the indicators regarding the refinancing risk

The refinancing risk refers to the possibility that the authorities cannot insure from the current resources the needs for the public debt service such that it is reached the situation of contracting new loans on the financial and capital markets, situation often encountered in the post-revolutionary Romania.

Thus, the indicator regarding the *remaining average maturity of the governmental public debt portfolio* was kept relatively constant during 2015, being of 5,7 years at the end of 2015. This level was registered especially in the issuance of state bonds on average and long term, but also in the foreign currency loans with average and long-term maturity.

Moreover, the indicator for the *debt due within 1 year of the total governmental public debt* was, at the end of 2015, of 18%, percentage placed within the limits imposed by the strategy.

Graph no. 5: Performance of the refinancing risk indicators for the total governmental public debt



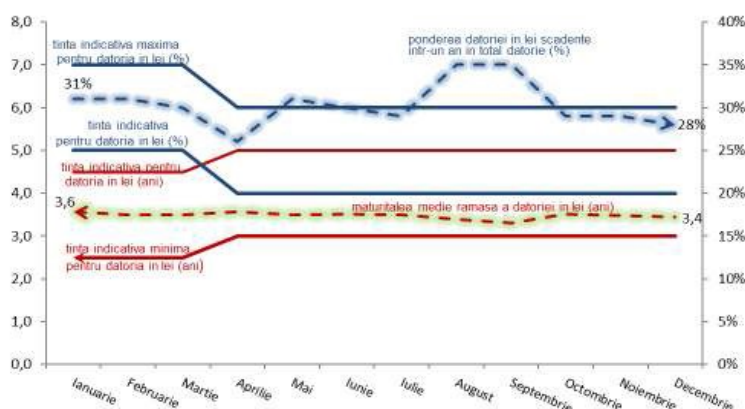
Source: www.mfinante.ro

Analysing the indicators regarding the refinancing risk corresponding to the governmental public debt denominated in lei, these are:

- *The average maturity left of the debt in lei*
- *The ratio of the governmental public debt in lei due within a year*

The former is of 3,4 years and the latter is of 28% which means that both are within the parameters forecasted by the Romanian authorities. This last aspect is provided in the below graph:

Graph no. 6: Performance of the refinancing risk indicators for the debt denominated in lei

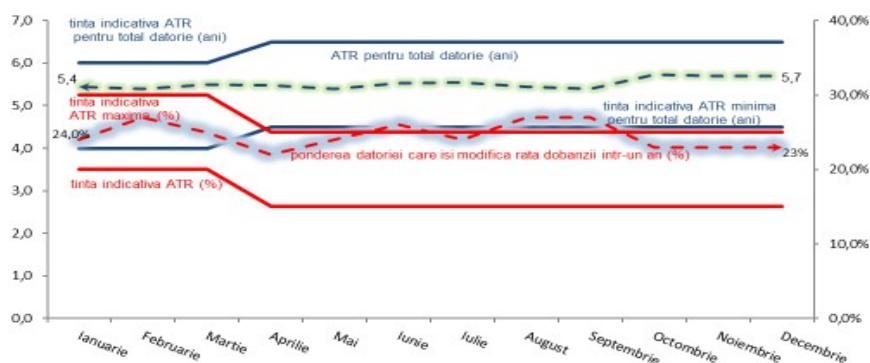


Source: www.mfinante.ro

c. Evolution of the indicators regarding the interest rate risk

The interest rate risk refers to the degree of exposure of the sovereign debt to the risks of changing the interest for the loans with variable interest. As it can be observed in the below graph, it can be observed the results of the governmental public debt management by the exposure to the interest rate risk. The indicators registered values which are framed within the provisions of the management strategy of the sovereign debt, on all its levels at the end of 2015, namely *the average period until the following amendment of the interest rate (ATR)* was of 5,7 years and *the ratio of the debt changing the interest rate within a year* was of 23%.

Graph no. 7: Performance of the interest rate risk indicators for the total debt

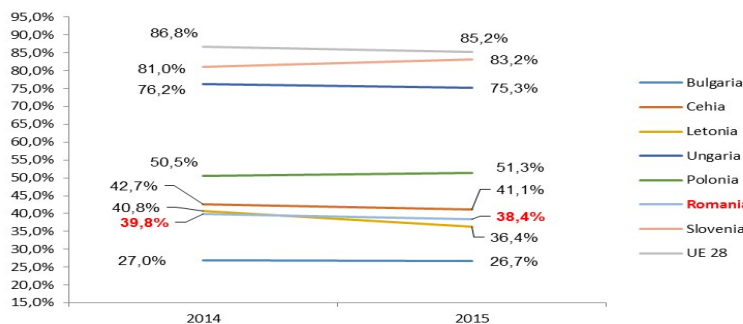


Source: www.mfinante.ro

Analysing the evolution of the Romanian sovereign debt stock for 2015 within the context of belonging to the EU community block I acknowledged that it preserves the consistency from the point of view of the GDP percentage which is of 38% and this level is influenced by the level of the Romanian cash financial assets, the gross debt level being of 28,9% of the GDP.

In a top of the smallest sovereign debts at the community block level, Romania occupies in the analysed period an apparently mediocre 5th place after Estonia (9,7%), Luxemburg (21,4%), Bulgaria (26,7%) and Latvia (36,4%).

Graph no. 8: EU 28 comparison (government debt as % of the GDP)



Source: www.mfinante.ro

Conclusions

This technique of covering the state deficit by constituting public debt does not, however, represent an instrument which the governmental administration can forever use, such that at the national level it must be complied with the ceiling imposed through the normative acts in force and in opposition to these provisions are the community ones which impose the ceiling of 60% of the GDP. Romania has not reached this level, but it neither records the necessary economising level, as the developed economies of the Member States, a fact which imposes prudential financial policies regarding the sovereign debt management.

In the contemporary economies, the efficiency of the public funds usage in the conditions in which the world states accumulate levels of public debts which equal the gross domestic product, in conditions of economic regression or insignificant economic growth, leads us to think that the accumulation of a higher public debt stock (*debt overhang*) generates reserves regarding the reimbursement conditions, which discourages the investment process, not only internally, but also linked to the overseas.

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Analysis of Agricultural Credits for Investments

D. Haranguș, D.C. Dăianu

Daniela Haranguș

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Dana Codruța Dăianu

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

Agricultural credits for investments are an important source of financing in agriculture. The research aims to analyze the categories of credits for agriculture, the eligibility and creditworthiness criteria, as well as the analysis of the evolution, in the structure and dynamics, of these credits for agriculture. Due to the fact that the immobilization of funds in agriculture is higher than in other sectors, and the farmers' own capital is not enough, the need for credits in agriculture is higher. The solution to the current problems of agricultural crediting should start from the fact that agriculture is a strategic economic activity that conditions the overall development of Romania.

Keywords: agricultural credit, investments, commercial bank, eligibility criteria, financial performance.

Introduction

Agricultural credits for investment represent an important source of financing and modernization of agriculture.

Agriculture is a basic branch of the national economy. It is also a balance factor in harmonizing economic development. In Romania, the transition to a market economy has generated multiple complex problems with systemic effects. Due to inefficient macroeconomic and sectorial policies, agriculture has failed to rise to its role as a driver of economic growth, lacking competitiveness, including internationally.¹¹ One of the major problems faced by the Romanian agriculture after 1990 was the lack of funding resources, as well as the difficult access to credits for agriculture.

In order to achieve a sustainable and prosperous rural economy, financing measures and agricultural credit policies become instruments for the development of the Romanian rural environment. The solution to the current problems of agricultural crediting should start from the fact that agriculture is a strategic economic activity that conditions the overall development of Romania. Agriculture provides food security to the population and capitalization of the country's natural agricultural potential.

Given the importance of the issue of agricultural credits for investments, this research aims to analyze the categories of credits for agriculture, the eligibility and creditworthiness criteria, as well as the analysis of the evolution, in the structure and dynamics, of these credits for agriculture.

Material and Methods

The analysis carried out started from defining and delimiting concepts regarding agricultural credits for investments and their particularities. The insurers' guarantees required by commercial banks to provide agricultural credit for investments have been identified and classified.

In this paper, the following research methods were used: data collection, classification, comparison, systematization, analysis and synthesis, generalization, induction and deduction.

¹¹ Daniela Haranguș, *Creditul agricol în tranziția românească*, Editura Augusta & Art Press, Timișoara, 2004, pp. 28-34. (Daniela Haranguș, *Agricultural Credit in the Romanian Transition*, Augusta & Art Press Publishing House, Timisoara, 2004, pp. 28-34).

Starting from the role and importance of agricultural credits for investments as a source of financing in agriculture, the research proposes a detailed analysis of the conditions for accessing these credits, as well as the eligibility and creditworthiness criteria to be met by the requesting client. Basically, the analysis of the client's credit vocation in agriculture is detailed.

The main indicators of creditworthiness are analyzed from the perspective of the following principles:

- Definition and content;
- Importance and relevance in the activity of the agricultural client;
- Relevance in assessing the financial performance of the agricultural entity;
- Efficiency in ensuring the reimbursement of agricultural credits.

The data and information provided by commercial banks in the presentation of their portfolio of product and banking services were used in this analysis. Banks' offers regarding the conditions for granting agricultural credits for investments were studied and analyzed.

In order to show the relevance of agricultural credit in the Romanian economy, its weight and evolution in dynamics, the indicators reported by the National Bank of Romania were used.

Results and Discussion

Credits for investments in agriculture are the credits granted for a period over one year, necessary for the development or expansion of the business in agriculture. They are granted, mainly for:

- financing of farm purchases, agricultural land, silos, machinery, agricultural equipment, renovation or upgrading;
- refinancing of investments in agriculture, made before requesting the credit from attracted or own sources.

The guarantees that the applicant agricultural farm can bring to obtain the agricultural investment credit are:

- The object of the investment to be purchased from the credit;
- Real estate guarantees (buildings, agricultural land, etc.)
- Securities on agricultural equipment;

- Guarantee given by the Rural Credit Guarantee Fund;
- Other guarantees accepted by the commercial bank, depending on its crediting policy.

When accessing agricultural credit for investments, agricultural farms must contribute with their own funds, generally at least 15%. These agricultural credits for investments are usually long term credits, therefore the client can benefit of an extended grace period of up to 12 months, which allows him to put into operation the investment that will generate additional income for his agricultural business.

The main ***eligibility criteria*** established by commercial banks for accessing agricultural credits for investments to be met by a potential client are:

- To be legally constituted and to carry out its activity according to the state or constitutive act;
- Not to be in litigation with that bank, at the time of requesting the credit, for the performance of contractual or other obligations prior to this request;
- To fall within the bank's general credit risk class;
- To appear in the Credit Risk Center with the service of debt A or B;
- Not to be in the Payments Incidents Center;
- Not have debts older than 60 days to the state budget or to the social insurance budget;
- Not to have account deductions;
- Not to be in a state of insolvency.

In general, the conditions for granting agricultural credits (and not only) can be negotiated with the bank, depending on the customer's creditworthiness, size of the turnover and economic and financial indicators of the firm.

The creditworthiness indicators are calculated on the basis of financial statements (balance sheet, profit and loss account, accounting balance). At the request of a credit, the bank analyzes the profit obtained by the agricultural farm, its credit repayment capacity, the amount of equity and the cash flow.

The main creditworthiness indicators calculated by the bank when accessing agricultural credits are:

- *Turnover*. It is the fundamental indicator of the volume of activity carried out by an economic entity and can be defined as the total revenue registered from the sale of the production in a given period of time;
- *COGS (Cost of Goods Sold)*. Cost of production or operating expenses represent the reflection in accounting of the costs incurred by the company as a result of the activities carried out according to its object of activity. This category includes expenses with seeds, plants, raw materials and consumables, other material expenses, energy and water expenses, fuels, staff costs, etc.;
- *EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, or gross operating result)*. This indicator is considered the most relevant indicator used by banks. EBITDA expresses the gross activity accumulation before paying its debts, taxes, and depreciation. This indicator provides the ability to evaluate a company's performance, being an approximation of cash flow from operations. An EBITDA rate in the second year higher than in the first year shows a significant increase in profit;
- *Net profit*, represents the difference between the gross profit obtained by the economic entity and the related corporation tax. A higher profit margin from year to year expresses a more profitable activity.
- *Equity capital*, include capital injections, capital premiums, reserves, retained earnings and financial result.
- *Stock rotation* shows the speed at which stocks pass through all processes until they return to their original money form. The faster their rotation speeds, the better their efficiency, resulting in the release of financial resources. The indicator shows the number of times the stock was rolled over the financial year. Increasing the speed of rotation of stocks has favorable consequences for the liquidity of the economic entity.

When accessing an agricultural credit, commercial banks are also analyzing the efficiency of customer receipts and suppliers' payments, as expressed by agricultural farms in a number of days.

These indicators influence, favorably or not, the difference between receipts and payments.

The documentation requested by commercial banks for accessing an agricultural credit, mainly concerns the submission of the following documents to the bank:

- Credit Application;
- The Founding Act,
- Operating authorization of the agricultural family association / authorized natural person, endorsed to date by competent bodies;
- Certificate of registration with the Trade Register;
- Statement of agreement to access the Credit Risk Center;
- Last statement regarding profit tax;
- Situation regarding debts and claims to the state budget, respectively the fiscal attestation certificate, certifying that the applicant has no overdue debts and documents proving the payment made to the social security budget, for pensions and health;
- Financial and accounting statements.

The agricultural credit being granted to economic agents in agriculture has particularities specific to the activity of these credit beneficiaries. Also, the peculiarities and specificities of agricultural production processes lead to a greater need of crediting in this sector than in other sectors of the national economy.

The specific nature of agricultural credit is given by:

- the seasonality of agricultural production;
- the long production cycle in agriculture;
- the time difference between expenditures and revenue earned from selling agricultural products;
- the action of natural and biological factors;
- the increased risk of calamities in agricultural production;
- low profitability in agriculture, which requires granting credits with lower interest rates.

Due to the fact that the immobilization of funds in agriculture is higher than in other sectors, and the farmers' own capital is not enough, the need for credits in agriculture is higher.

From the analysis of the credits granted by commercial banks in Romania, analysis carried out in structure and dynamics, it is found that the credits for the agricultural sector have a relatively small share compared to other economic sectors.

The credits granted by credit institutions by sectors of activity, between 2015 and June 2018 are presented in the following table:

Table no.1
Credits granted and commitments undertaken by credit institutions, by sectors of activity

Credits granted and undertaken commitments (million Lei)	Period			
	2015	2016	2017	June 2018
Total amounts granted, of which:	330 572	345 405	368 115	377 261
• Industry	62 607	64 053	66 861	67 285
• Services	85 451	89 918	93 516	94 586
• Construction	30 179	27 399	27 117	27 810
• Agriculture, forestry, fish breeding	12 813	13 414	15 283	14 810

• Financial intermediation and insurance	7 265	8 913	11 185	11 838
• Public administration, education, health	15 185	15 635	16 567	16 550
• Individuals	117 072	126 073	137 586	144 382

Source: National Bank of Romania, *Monthly Bulletin*, July 2018, Statistical Section, XXVI Year, no. 297, p.60.

The table above shows that during the years 2015 - June 2018, the share of credits granted for agriculture, forestry and fish breeding is small compared to the other sectors of activity. In 2015, their share was 3.9% of the total amounts granted, in 2016 it was 3.8%, in 2017 it rose to 4.1% and in June 2018 the share reached 3.9%.

The share of credits granted to other sectors of the national economy is much higher. For example, at the end of 2017, the share of credits granted to industry is 18.2%, credits for services 25.4% and construction credits 7.4%.

Analyzing the credits granted by the credit institutions according to their term, respectively, short term, medium and long term, for the period 2015 - June 2018, the situation is presented in the following table:

Table no. 2
Credits granted by the credit institutions according to their period

Credits granted / Period (million Lei)	Period			
	2015	2016	2017	June 2018
Total amounts granted, of which:	307 825	319 458	338 314	347 313
• Short term (up to 12 months)	35 624	34 704	36 477	37 433
• Medium term (1-5 years)	90 243	94 595	105 292	109 180
• Long term (over 5 years)	181 958	190 159	196 545	200 700

Sursa: National Bank of Romania, *Monthly Bulletin*, July 2018,
Statistical Section, XXVI Year, no. 297, p.63)

The analysis shows that during the entire analyzed period, the largest share in total credits granted by credit institutions is held by long-term credits granted over a period of more than 5 years. For example, in 2015, their share was 59.1%, in 2016 they had a share of 59.5%, in 2017 a share of 58.1%, and in June 2018 they registered a share of 57.8%.

This situation highlights an acute need for long-term funding sources for all economic entities in all sectors of the national economy.

Conclusion

Starting from the fact that agriculture is governed by specific laws, agricultural credit should also be adapted to them, meaning it should have specific forms, different from other categories of credits destined for other economic sectors.

Given that the financing needs of agriculture are significant and insufficiently covered agricultural credit in general and agricultural credit for investments in particular can be instruments that stimulate the development of agricultural production.

The analysis performed shows that the share of agricultural credits in the total credits granted by commercial banks is very small compared to other economic sectors (industry, services, construction).

This situation reveals that commercial banks are not interested in crediting agriculture due to the high degree of risk of this sector of activity.

The restrictive access of agriculture to bank loans has negative effects for the entire national economy.

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Decision Making in a Case of Public Acquisition of Road Construction Services in Romania

O.N. Popa, C Popa, L.D. Coroban

Olimpia Neliana Popa

Faculty of Economy and Business Administration
West University, Timisoara, Romania

Cristian Popa

Faculty of Engineering
"Aurel Vlaicu" University of Arad, Romania

Laurentiu-Dorel Coroban (PhD)

Faculty of Mathematics and Informatics
West University, Timisoara, Romania

Abstract

A modern infrastructure is important for the development of the whole economy. The financial support for road construction is provided by the administrative budget of the counties, using various funds: local taxes, public or private funds, EU financing.

Road construction is assigned to applicant companies through a public acquisition process. The decision considers a set of criteria, in order to obtain the best quality / price ratio.

The paper deals with a case of public procurement, where the company appointed to build the road was decided by using the Electre multi-criterial decision making model. Input data is obtained from the tenderers' files handed-in by each applicant and a careful checking of their financial background. Seven tenderer passed the eligibility check and were admitted to the final phase. A number of eight criteria were considered and weighted by the experienced staff of the county administration. A computer application was used for ranking the alternatives and to designate the winner of the tender.

Keywords: machinery-building industry, logistic system, organizational adaptation, company's life cycle

Introduction

Decision making is a management task which has to be taken by the management at all levels. At present, the markets are characterized by continuously changing conditions and an increased number of complex criteria that has to be considered during the decision making process. Various decision making methods are presented in the literature and the decision maker has to choose the most appropriate one. Often, computer programs are used to support the decision process.

When a public acquisition is performed, usually a set of criteria are considered. The case presented in the paper is based on a real tender for assigning the road modernization works in West Region Romania. As there are many criteria to be analyzed, a team of experts have been asked to help the process by offering their scientific support. The topic was classified as a typical multi-criterial decision situation and it was handled using specific methods and computing algorithms. For the computer aided decision the ELECTRE method was chosen.

Data and method

The public bid

In Romania, road construction or modernization services are assigned to companies through a public acquisition process with several applicants. The decision considers a set of criteria, in order to obtain the best quality / price ratio, in the framework of Law 98-99 of 2016, Guidelines no.1 of 11.01.2017 (ANAP, 2017).

The object of the public tender presented here is the modernization of a road in the western part of Romania. The tender was made public through the legal means: newspaper, official communicates and posts on the official web-page of the Authority. Several companies with a good reputation in road construction have made their offers. After an accurate eligibility check, seven companies were qualified for the bid. For data protection, the companies are anonymized, being denoted as alternative A1 to A7.

The criteria

In the Romanian bidding practice, the lowest price is considered the supremum criterion. However, the Authority decided to involve a number of specialists to add more criteria and to minimize the risk of a bad decision. In order to perform a correct evaluation of the technical and economical capabilities of the bidders, the specialists proposed a total number of eight criteria for which they gathered additional data related to all seven companies. The chosen criteria are both quantitative and qualitative, as listed below:

- Criterion 1 (C1), Total price. This is the total price, without VAT, asked by each company for the execution of the modernization works, in the appropriate monetary units.
- Criterion 2 (C2), Execution time. This is the number of days needed by each company to complete the execution.
- Criterion 3 (C3), Warranty. This is the number of month of warranty offered by each company for the modernized road.
- Criterion 4 (C4), Service time. This is the number of days the company undertakes to fix any issue that may occur during the warranty period.
- Criterion 5 (C5), Similar Experience. This is the total value of similar works contracted during the past two years.
- Criterion 6 (C6), Availability to start. This is the number of days between the contract is signed with the Authority and the contractor is able to start the work.
- Criterion 7 (C7), Equipment. This is a qualitative criterion that shows if company has its own work equipment (1) or it needs to rent the equipment for the execution of the contract (0). If mixed, the specialists considered that it is the best situation (3).
- Criterion 8 (C8), Traffic disturbance. This criterion shows the number of days while the traffic in the area will be closed for the execution of works.

The decision matrix

The first step in applying most of the known decision methods is the building of a decisional matrix that includes: the alternatives, the decision criteria and other values needed for the decision process (Ioan & Ioan, 2011).

For the considered problem, corresponding to the 7 alternatives and the 8 criteria, a 7 x 8 matrix was build, as shown in Figure 1. The last two rows were added later, as supplementary data are needed.

The values attributed to the criteria are extracted from the data included by the tenderers in their applications. The synthesis of the values is entered in the matrix, in columns C1 to C8.

Criteria / Alternative	C1	C2	C3	C4	C5	C6	C7	C8
A1	848	50	36	15	29.000	15	1	5
A2	928	50	36	13	27.000	15	3	5
A3	980	45	36	12	31.000	10	3	5
A4	1.146	45	36	11	38.000	10	1	5
A5	1.187	45	36	10	32.000	10	3	3
A6	1.264	45	36	10	44.000	15	3	3
A7	1.290	45	36	8	35.600	5	3	3
Type	0	0	1	0	1	0	1	0
Weight	0,35	0,1	0,05	0,1	0,15	0,1	0,05	0,1

Figure 1. The decision matrix

According to the given values, the criteria can be classified as “maximum” or a “minimum”. The value of a “maximum” criterion is the better the higher, while a value of a “minimum” criterion is better the lower. (Hwang & Yoon, 1981). The type of the criteria is marked with 1 (“maximum”) or 0 (“minimum”) in the next row of the matrix.

Weighting the criteria

For weighting the criteria, the Universal Specialist’s Test was used (Ionescu, 1988). A pool of specialists was asked to give an evaluation of the importance of each criterion, using a 0 – 1 scale. The pool of specialists consists of: road construction engineers, economists, structural engineers, procurement specialists.

The average value of the weights given by the specialists for each criterion is included in the last row of the matrix in Figure 1.

The decision method

As the decision is based on a set of criteria that can be evaluated, the problem was handled as a typical MADM (Multi Attribute Decision Making) problem. The most common solution for such a problem is a “top of preferences” consisting of a ranking of the alternatives according to the values in the decision matrix (Zavadskas, Turskis, & Kildiene, 2014). The ranking algorithm depends on the methods used for solving the problem.

Since the late ‘90s, the most commonly used MADM methods are (Kaplinski, Peldschus & Tupenaite, 2014):

- SAW (Simple Additive Weighting), a simple, natural method that integrates the values and weights of criteria into a single estimating value. (Podvezko, 2011)

- TOPSIS (Technique for Order of Preference by Similarity to Ideal Solution), developed by Hwang and Yoon in 1981 (Hwang & Yoon, 1981).

- ELECTRE (ELimination Et Choix Traduisant la REalité), a family of methods firstly developed in France around 1960.

Applying these methods to the same decision matrix, the results are slightly different, due to the different computing algorithms (Podvezko, 2011). As the tendering team of the Authority already used ELECTRE method with good results, the considered problem was addressed with this method. Moreover, appropriate software is available – developed by Aurel Vlaicu University of Arad (Nagy & Miranda, 2013).

The software

The software used for decision making in order to assign the road construction works to one of the tenderers is the Electre software developed by a team of specialists within the Mathematical Models and Computer Systems research center from Aurel Vlaicu University of Arad.

The software is the result of a collaboration of a multidisciplinary team, consisting of specialists in management, public administration and computer science. It is based on the original Electre method developed by Lamsade Laboratory (Figueira, Mousseau & Roy, 2004) with further improvements.

The programming language is Visual Basic with a MS Access database including a large number of case studies (Nagy & Miranda, 2013).

Results

Configuring the software

The data input screen for a new decision problem asks for the dimension of the decision matrix and the number of numeric arguments. As presented in Figure 1, all the criteria are numeric and there is no need for further evaluation (Figure 2).

Figure 2. The starting screen

Running the program

After importing the data from the decision matrix, the final result obtained by running the computer application (Nagy & Miranda, 2013), is presented in Figure 3.

Subject	x1	x2	x3	x4	x5	x6	x7
F1	848	50	15	29000	15	1	5
F2	928	50	13	27000	15	3	5
F3	980	45	12	31000	10	3	5
F4	1146	45	11	38000	10	1	5
F5	1187	45	10	32000	10	3	3
F6	1264	45	10	44000	15	3	3
F7	1290	45	8	35600	5	3	3

Importance	0.35	0.1	0.05	0.1	0.15	0.1	0.05	0.1
Best if MAX=1 / MIN=0	0	0	1	0	1	0	1	0

Figure 3. Running the program

- where, the alternatives (Fi) are denoted (Ai) and the Criteria (Ci) are denoted (xi)

Then, the step by step mode let us follow the different intermediary results, as computed according to the basic Electre algorithm: the utility matrix, the concordance matrix, the discordance matrix and the preference matrix. In case of equally preferred alternatives, an improved algorithm is used (Rao, 2013)

Conclusion

The top of preferences in Figure 3 shows the ranking of the tendering companies based on the criteria and weights established when building the decision matrix.

Considering the chosen criteria and the opinion of the pool of specialists involved, the best alternative is A1, that is: as the result of applying the Electre method, it is advisable to assign the road modernization works to Company F1. Therefore, the Public Authority appointed Company F1 as winner of the bid and started the formalities for signing the contract with this company.

The result can be explained by the high importance given to the price (35%) in the context of the set of 8 criteria. Even if there are better elements in the offer of other companies, for instance C5 (similar experience) and C6 (availability to start), the weights attributed to these criteria are too low for counterbalancing the importance of C1 (the price). Following this logic, Company F4 is the third in the ranking because of the high value of criterion C6.

By given a unique solution to the decision problem, the Electre method and the Electre software proved once more their utility. If values are available for a reasonable set of criteria and the pool of specialists is properly selected, the solution is useful to decision making in cases of public acquisition.

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L'interface travail-famille: question d'actualité du comportement organisationnel

F.L. Isac, O.M. Dan

Florin-Lucian Isac

Université "Aurel Vlaicu" d'Arad, Roumanie

Oana-Mihaela Dan, MA Gestion et Financement dans l'Administration Publique, II-ème année

Resumé

L' interface travail-famille represente un thème de plus en plus abordé dans le littérature de specialité par les théoriciens ainsi que les praticiens. Ce thème présente un intérêt soutenu pour la compréhension des modalités d'interaction entre les deux domaines, ainsi que les interventions des organisations qui veulent assurer une bonne gestion de la relation travail-vie personnelle.

Mots clé: travail, famille, interface, équilibre

Introduction

Le problème de la relation entre la vie professionnelle et la vie personnelle a un impact sur chacun de nous, sans tenir compte d'âge, sexe, profession ou statut. Un obstacle fréquent qui diminue la performance dans le travail des individus est le stress associé à la gestion d'une relation entre les efforts dédiés au travail et la vie personnelle (une étude réalisé par Lockwood en 2003 montre que plus de 70% des employés interrogés ont déclaré une manque d'équilibre dans cette relation). En ce qui concerne la vie organisationnelle, une étude sur la satisfaction du travail réalisé par SHRM (Society for Human Resource Management), « la flexibilité qui assure un équilibre vie professionnelle et famille » a été considérée comme « très importante » par 52% des répondants et par 48% des professionnels des ressources humaines (Frincke, 2007, en McMillan et. al.,2011, p.7).

Selon une étude de American Psychological Association, 36% des travailleurs américains s'étaient déclarés satisfaits de la manière par laquelle les employeurs les soutiennent, tout en essayant d'équilibrer les demandes liées au travail, à la famille ou aux autres besoins personnels. Ce pourcentage a beaucoup diminué si l'on considère qu'en 2009 il se situait à 42%.(Clay, 2011, en Kossek et. al., 2011, p.352).

Pour que la préoccupation vis-à-vis de l'interface entre le travail et la famille devienne une manière de penser, les professionnels dans le développement des ressources humaines doivent tout d'abord clarifier de point de vue conceptuel le conflit, l'enrichissement et l'équilibre. Ces concepts une fois établis, permettront le développement des programmes d'intervention appropriés.

1. Conceptualisation de l'équilibre, de l'enrichissement et du conflit dans l'interface travail-famille

1.1. L'équilibre entre le travail et la famille

L'équilibre entre le travail et la famille a été associé à un niveau réduit au conflit entre les rôles liés au travail et respectivement à la famille ou à un mélange entre le niveau réduit du conflit et la simplification de la relation travail-famille (Allen, 2013, p.702). A la différence d'autres concepts tels que le conflit ou l'enrichissement, l'équilibre entre le travail et la famille ne représente pas un mécanisme de liaison entre les deux domaines, symbolisant plutôt une évaluation d'ensemble de la compatibilité entre les deux rôles.

Tableau 1 Définitions opérationnelles
de l'équilibre entre le travail et la famille

Auteurs	Définitions
Bratton et Gold (2003)	„la relation entre le temps et l'espace institutionnel et culturel du travail et du non-travail”; „le besoin de balancer les activités liées au travail et au temps libre/famille”
Clark, 2000	„la satisfaction et le bon rendement au travail et à la maison avec un minimum de conflit de rôle”
Šverko, Arambasić et Galešić	„le bon arrangement des engagements rôle-temps permettant un bon fonctionnement au lieu de travail et à la maison avec un conflit de rôle réduit et un

(2002)	maximum de satisfaction ”
Guest (2001)	„Ceux qui travaillent régulièrement plus de 48 heures par semaine auront un déséquilibre entre le travail et le reste de leur vie”
Visser et Williams (2006)	„l’équilibre entre les responsabilités au lieu de travail et les responsabilités en dehors du travail rémunéré ”
Wood(2006)	„modifications qui visent les modèles de travail qui permettent aux gens de compléter le travail avec d’autres aspects de leur vie”
Grzywacz et Carlson(2007)	„l’accomplissement des attentes liés au rôle qui sont négociées et partagées entre l’individu et ses partenaires de rôle dans les domaines de travail et de la famille ”
Greenhaus et Allen (2006)	„la mesure dans laquelle l’efficacité et la satisfaction de l’individu dans des rôles liés au travail et à la famille sont compatibles avec les priorités de vie de l’individu ”
Greenhaus et Allen(2011)	„une évaluation d’ensemble de la mesure dans laquelle l’efficacité et la satisfaction des individus dans les rôles de famille et de travail sont pertinents avec leurs valeurs dans la vie à un moment donné”

Source: Prises de la synthèse effectuée par **Nam, T.(2014)- *Technology Use and Work-Life Balance***, Applied Research Quality Life,9, p.1019 et d’autres: Šverko, Arambasić și Galešić (2002,p.282); Greenhaus și Allen (2011, p.174); Grzywacz și Carlson (2007,p.458)

Même si le terme „work-time balance” a gagné une popularité ascendente, il est difficile à établir la signification du terme « équilibre ».Greenhaus et Allen (2011, p.172) nous offrent trois perspectives alternatives de la notion:

- l’équilibre perçu comme absence du conflit entre le travail et la famille ;
- l’équilibre perçu comme ayant une grande implication dans des rôles multiples :degré d’implication, investissement ou engagement dans des rôles multiples;

- l'équilibre perçu comme efficacité et satisfaction élevées dans des rôles multiples : approche qui met l'accent l'acquisition de l'efficacité et des sentiments positifs dans les deux rôles (ou concernant l'équilibre de la vie dans des rôles multiples)

Greenhaus et. al.(2003) nous proposent trois composants de la balance entre le travail et la famille :

- balance de temps : le temps est divisé également entre les deux rôles ;
- balance d'implication: l'individu a une implication psychologique égale à l'intérieur des deux rôles ;
- balance de la satisfaction : une satisfaction égale est obtenue dans les deux rôles.

Les recherches qui présentent le construct « l'équilibre travail-famille » comme différent vis-à-vis de l'enrichissement de la relation travail-famille ou vis-à-vis de l'engagement travail-famille l'ont rendu opérationnel dans des modalités diverses, telles que: le succès perçu dans un équilibre établi entre la vie professionnelle et la famille, la satisfaction par rapport à cet équilibre, la perception des autres personnes sur l'accomplissement des rôles et l'accord concernant l'équilibre des deux rôles (Allen, 2013, p.703).

1.2. Le conflit entre le travail et la famille

Les chercheurs et les praticiens ont accordé une attention spéciale au construct "conflit entre le travail et la famille". La Révolution Industrielle a séparé le travail à contenu économique de la famille (du ménage).

Dès le début, les recherches sur le conflit travail-famille se sont appuyées sur le fonctionnalisme structurel qui reconnaît la séparation entre les institutions et la spécialisation des activités des femmes et des hommes dans des sphères différentes (les femmes ayant leurs attributions dans le ménage pendant que les hommes accomplissaient leurs tâches au lieu de travail).

Dans l'ère de l'information les sphères du travail et de la famille qui étaient séparées à l'époque de la Révolution Industrielle, reviennent à un parcours convergent (Mac Dermid, S.M., 2005, p.21-.22).

Le conflit entre le travail et la famille est le mécanisme qui fait la liaison entre des constructs spécifiques à un certain domaine (tels que les facteurs qui sont à l'origine du stress dans le travail) et ceux spécifiques à un autre domaine tels que la tension en famille (Frone, Russell și Cooper, 1992).

Le conflit entre le travail et la famille est défini comme »une forme de conflit inter- rôle dans lequel les pressions de rôle dans les domaines du travail et de la famille sont réciproquement incompatibles à certains égards ». La littérature de spécialité reconnaît l'existence de trois formes de conflit (Greenhaus și Beutel, 1985,p.77-81):

- **le conflit fondé sur le temps**, qui se manifeste lorsqu'il y a une incompatibilité entre le temps accordé aux responsabilités familiales et à celles professionnelles ;
- **le conflit fondé sur la tension**, lorsque les pressions exercées par l'un des rôles empêchent l'exercice de l'autre rôle ;
- **le conflit fondé sur le comportement** , lorsque le comportement spécifique d'un rôle est incompatible avec le comportement attendu dans l'autre rôle.

Les trois formes de conflit peuvent avoir de directions différentes d'influence : le conflit travail-famille et le conflit famille-travail, tout en prouvant ainsi le caractère bidirectionnel de l'interaction des deux domaines. Le conflit travail-famille reflète l'intrusion du travail dans la sphère privée, et le conflit famille-travail représente l'incapacité de bien gérer les responsabilités professionnelles à cause des impératifs liés à la vie privée (Closon, 2007, p.109)

Une innovation relativement récente est la supposition selon laquelle les chercheurs devraient étudier le conflit qui émerge de chaque domaine séparément. Il existe une certaine évidence empirique sur le fait que les antécédents qui produisent le conflit provenant de chaque domaine sont différentes. (Frone, Yardley și Markel, 1997).

Tableau 2

Types	Incidences	Elements modérateurs	Rôle de l'entreprise
Conflit travail-famille	-insatisfaction au travail; -intentions de turnover; -absentéisme; -performance au travail moindre	-autonomie; -flexibilité des horaires; -nombre d'heures prestées;	Politiques d'organisation du travail; Politiques liées au développement individuel
Conflict famille-travail	-diminution du lien social; -diminution de la satisfaction générale -stress et sentiment de performance moindre	-sexe ; -présence d'enfant(s); -age des enfants; -perception d'un support familial réel	- politiques „pro-familiales”

Source: Closos, 2007, p.115

1.3. L'enrichissement de la relation travail-famille

Une grande partie des chercheurs s'est dédiée à surprendre les interdépendances positives qui apparaissent comme suite de la combinaison des rôles liés au travail et à la famille. Plusieurs concepts se sont développés : « positive spillover », la facilitation de la relation travail-famille et l'enrichissement. La distinction entre ces trois concepts n'est pas très claire, mais chacun d'eux reflète une combinaison de plusieurs rôles qui détermine des résultats positifs pour l'individu (Allen, 2013,p.701).

Greenhaus et Powell (2006,p.73) définissent l'enrichissement comme « la mesure où les expériences d'un des rôles améliorent la qualité de la vie de l'autre rôle ». Les auteurs identifient cinq types de ressources qui peuvent être générés et transférés d'un rôle à l'autre: habiletés et perspectives, ressources psychologiques et physiques, ressources de capital, flexibilité et ressources matérielles. L'enrichissement peut se produire par l'une des deux voies suivantes:

- la voie instrumentale, lorsque l'acquisition de ressources dans un rôle détermine directement l'augmentation de la performance dans l'autre rôle ;
- la voie de l'affect, lorsque l'augmentation a lieu indirectement, par l'intermède de l'affect positif individuel (Carlson et.al.,2006)

Carlson et les collaborateurs (2006) ont proposé une modalité de mesurer l'enrichissement de la relation travail-famille par trois dimensions: affect, développement et capital. En ce qui concerne l'enrichissement de la relation famille-travail ils ont identifié de même trois dimensions :affect, développement et efficience. A la différence de Carlson et les collaborateurs qui voyaient des constructs différents qui expliquaient divers aspects de la dimension positive de l'interface travail-famille, Greenhaus et Powell(2006) appuissent l'idée selon laquelle l'enrichissement est synonyme à l'intensification, à la facilitation et à l'intégration dans la relation travail-famille.

2. Expériences à l'intérieur de la sphère organisationnelle et managériale

Les organisations peuvent appuyer les rôles travail et famille en fonction de degré où le lieu de travail est conçu dans le but de réduire les conflits entre les deux sphères et d'améliorer l'interaction entre celles-ci. Le soutien de la part de l'employeur peut se manifester sur trois formes (Kossek, Baltes et Matthews, 2011,p.354):

- les conditions de travail et la structure du poste ;
- la culture organisationnelle et les normes de l'hégémonie entre les relations de travail et celles en dehors du travail ;
- les politiques de ressources humaines qui offrent un support à l'interposition des rôles liés du travail et de la famille.

Ruderman (2005, en Kossek et Lambert, p.493-509) tout en reliant la recherche de la littérature avec des interviews et des entretiens avec les praticiens des corporations a essayé d'identifier des liaisons entre la théorie et la pratique concernant la réponse à la question : comment l'intégration travail-famille peut être plus utile pour la pratique ? Si les hommes de science étaient préoccupés à identifier la nature des phénomènes relatifs à cette intégration, les praticiens se sont concentrés à identifier les solution des problèmes qui naissent de l'interférence du travail dans la vie privée.

Une étude qui a consulté 27 spécialistes en leadership suggérait que ces derniers interprétaient les problèmes relatifs à l'interface travail-famille sous la forme de conseils qu'ils pouvaient offrir au manager pour mieux gérer le conflit entre le travail et la vie personnelle. Les principaux thèmes qu'ils ont abordés se rapportaient au maintien de l'équilibre dans une culture de business non-stop, la peur de représailles, la manière de gérer les standards auto-imposés et les priorités à l'intérieur du conflit.

La professionnalisation du management a déterminé la perception des managers en tant que « figures héroïques » qui mérite un statut et des récompenses élevés. Watson (2001) a découvert que l'enthousiasme et la loyauté des managers étaient diminuées par les réglementations croissantes imposées par les entreprises.

A présent on assiste à un changement dans le travail des managers du statut de privilégiés au risque de l'insécurité du lieu de travail. Cela suppose des sollicitations élevées concernant les nombres d'heures de travail après la fermeture officielle du travail. Park et al. (2007) suggèrent que les top managers et les professionnels sont plutôt tentés à considérer que le travail interfère avec leur vie privée. Les pressions pour un travail prolongé et les attentes élevées concernant la performance peuvent déterminer la prééminence des cultures masculines traditionnelles en management qui séparaient le travail rémunéré de la vie domestique (Ford et Collinson, 2011, p.260).

Une étude réalisée en Roumanie par Pitariu et autres (2004) sur 327 managers a mis en évidence une relation significative entre l'appui accordé par le chef direct et les carences organisationnelles: autant que le chef direct manifeste une disponibilité plus grande dans la compréhension des problèmes familiaux des managers, autant l'acceptation des problèmes avec lesquels ils se confrontent dans l'organisation est plus grande. Les managers donnent l'impression en quelque sorte être détachés de leur organisation qu'ils ne considèrent qu'une source de revenus. Les tâches familiales sont élevées, elles conduisent à des insatisfactions dans le travail et en famille mais non pas à l'intention de quitter l'organisation (p.21).

La culture exerce une influence sur l'interface travail-vie privée et la dimension « Individualisme-Collectivisme » a été la plus étudiée dans le domaine (Ollier-Malaterre și Foucreault, 2016, p.5).

Les membres des cultures collectivistes devraient expérimenter moins le conflit et davantage l'enrichissement à l'intérieur de la relation travail-famille. L'intégration des rôles semble être plus fréquente plutôt dans les cultures féminines que dans les cultures masculines. Au niveau individuel les individus expérimentaient un conflit plus grand travail-vie privée dans les cultures à moindre écart du pouvoir parce qu'elles ont plus d'autonomie et d'accès au pouvoir tout en prenant davantage les pressions générées par le travail. Les individus devraient expérimenter un conflit plus grand dans les cultures avec évitement réduit de l'incertitude où on peut identifier une flexibilité plus grande des rôles.

3. Conclusions

L'interface travail-famille représente un domaine dynamique de recherche, qui a connu une évolution importante les derniers temps. L'augmentation de nombre des familles où les deux partenaires apporte de revenu, les changements des rôles de genre traditionnels, l'orientation des valeurs des employés vers la recherche de l'équilibre travail-famille ont encouragé les recherches à analyser les interdépendances profession-famille (Buliga et Turliuc, 2012, p.84).

Une étude réalisée par EY România intitulée « Les générations urbaines et leurs priorités » a mis en évidence le fait que plus de 70% des répondants de Roumanie qui sont embauchés (environ 86% des managers) soutiennent qu'ils travaillent des heures supplémentaires, presque le double par rapport aux managers d'Allemagne ou de Grand Bretagne, mais la productivité de travail en Roumanie est six fois moindre que la moyenne européenne. Les facteurs les plus importants dans le maintien de l'équilibre travail-vie privée sont la réalisation des normes légales concernant le paiement des heures supplémentaires (61%), l'accord sans restriction du congé (54%) et le respect des réglementations concernant le congé de maternité (46%).

Allen (2013,p.710-713) propose trois directions prioritaires de recherche de l'interface travail-famille :

- l'impact de la technologie, le travail dans le milieu virtuel ;
- l'attachement des recherches travail-famille aux neurosciences ;
- l'approche du segment des travailleurs âgés dans la perspective de la relation travail-famille.

Kossek, Baltes et Matthews (2011,p.360-366) nous proposent quelques directions importantes de recherche concernant l'impact sur les organisations :

- l'amélioration de l'application des politiques qui lient le travail et la famille ;
- mettre l'accent sur l'impact des développements rapides dans la sphère technologique qui estompent les frontières entre la travail et la famille ;
- du pouvoir accordé aux individus ;
- l'implication des chercheurs dans le changement des contextes institutionnels qui facilitent la relation travail-famille.

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Funding Through the Structural and Cohesion Funds in Romania

L.I. Mazuru

Luminița Ioana Mazuru

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract:

The European Structural and Cohesion Funds are an important investment from the European Union budget, the second as share, after the Common Agricultural Policy. Member States can access public money from the European Union for economic and social development, agriculture and infrastructure development, job creation and private initiative through certain financial instruments, including the European Structural and Cohesion Funds. The main purpose of using European money is to find solutions to correct imbalances that occur between regions, especially those resulting from agricultural activities, industrial restructuring and structural unemployment.

Keywords: European structural funds, cohesion policy, economic and social development, absorption of Structural and Cohesion Funds in Romania.

Introduction

The European Union aims to strengthen the strategic dimension of cohesion policy so that Community policies are better integrated into national and / or regional development programs.

The purpose of financing through Structural and Cohesion Funds in Romania is to transform and modernize our country, as a member state of the European Union, in order to prepare it for the competition on the single market.

The European Union is the most important European financier that offers Member States billions of euros annually through various financial programs and instruments. The purpose of using these funds is to improve the quality of life for the population of the EU Member States.

The main structural and Cohesion Funds

The Structural and Cohesion Funds, as well as the Common Agricultural Policy, are European investments funded by the European Union budget. For the 2014 - 2020 period, the European Commission's budget assigns a greater share of the objectives (economic and social cohesion) and increases economic competitiveness in each Member State of the European Union. Starting with 01.01.2019, Romania will hold the Presidency of the European Union in a challenging moment. Thus, in the next six months, it would be beneficial to use all the opportunities to advance, in terms of the cohesion policy for 2021 - 2027. The presidency of one of the most important institutions, the Council of the European Union, is a priority for our country. The total amount of money granted to Romania for 2014 - 2020 is 28 billion euros - 21 billion euros for operational programs funded by structural funds and the rest for the National Rural Development Program (NRDP). In the 2021 - 2027 budget proposal, Romania allocated about 27 billion euros through the cohesion policy, in line with the proposals published by the European Commission representatives in Romania. The Structural and Cohesion Funds are financial instruments through which Romania can access public money from the European Union for economic and social development, accessing projects based on the national strategy for using these funds. The European Union is working to eliminate economic and social disparities between regions in order to achieve economic and social cohesion.

The Structural and Cohesion Funds comprise:

The **European Regional Development Fund (ERDF)**, which aims to strengthen economic and social cohesion within the European Union. It seeks to correct the imbalances between its regions, whereby the ERDF concentrates its investments in certain areas considered to be priorities.

These areas relate to: innovation and research, support for small and medium-sized enterprises, environmental protection by reducing carbon emissions.

The European Social Fund (ESF) has an important role to play in increasing workforce and business adaptability, increasing access to the labor market, preventing unemployment, prolonging active and working lives, increasing women's integration into the labor market, and immigrants, supporting the social inclusion of disadvantaged people and fighting discrimination.

Annually, the European Union allocates over 10 billion euros to the European Social Fund, to which the Member States contribute with one part. This money goes to organizations that access funds and are best able to understand local needs, with reference to: improving education, creating new job opportunities, supporting the business environment, supporting new business, investing in higher quality public services, support for retraining and professional reorientation, career counseling and mentoring. The European Social Fund annually educates and advises over 10 million people, investing in the future.

European Social Fund allocation by country 2014-2020 (examples):

Poland	12.923.346,555 euro
Italy	10.192.857,615 euro
Spain	6.768.342,816 euro
Hungary	4.633.914,942 euro
Romania	4.622.917,320 euro
Austria	422.087,353 euro

Source: European Social Fund - European Commission

The **Cohesion Fund (CF)** is a fund that encourages and funds projects in the field of environmental protection and transport networks in Europe, sustainable development projects and other projects aimed to improve air and road traffic management, modernize urban transport, develop and modernize multimodal transport.

The **European Agricultural Fund for Rural Development (EAFRD)**, the EU's rural development policy is funded through this fund, which has a budget of 100 billion euros for the period 2014 - 2020.

The National Rural Development Program (NRDP), financed by the European Agricultural Fund for Rural Development (FADR), is a program of the Ministry of Agriculture and Rural Development, which accesses European funds for rural people, funds for both agricultural and non-agricultural projects.

The **European Fisheries Fund (EFFM)** is intended for people working in the fisheries sector to adopt sustainable practices and supports coastal communities to diversify their activities to raise their standard of living.

These funds are managed by EU Member States on the basis of partnerships. Thus, each Member State prepares an agreement, working with the European Commission, to agree on how the funds will be used during the current funding period 2014 - 2020.

The need for funding through European Union funds - development policy

Regional development is an important policy of the European Union based on the principle of financial solidarity, referring to support for less developed countries or regions or structural difficulties in order to create new jobs and increase competitiveness.

The Regional Policy of the European Union formed around the concept of economic and social cohesion. The concept aims to reduce the disparities in the level of development of the regions, help the regions lagging behind and diminish the differences that separate them from the developed regions of the European Union. This is above all a solidarity policy based on the principle of financial solidarity of the Member States of the European Union whereby much of their contribution to the Community budget (over one third) is directed to less prosperous regions and disadvantaged social groups.

Since 2000, European regional policy has made a decisive contribution to the economic development of countries that joined the European Union. In the Central and Eastern European countries, measures have been implemented in the field of development of production activities through the creation of new small and medium-sized enterprises in the field of environmental protection and transport networks, infrastructure of all types, especially business infrastructure. An important role among these measures was given to those in the field of human resource development.

Attracting European funds is an opportunity that can benefit from the microeconomic development of the economic agent to the macroeconomic level of the national, European and global economy.

Romanians are still reluctant to finance through European funds, as the conditions under which financial support is granted impose compliance with fairly strict rules. This adds to excessive bureaucracy, which affects the collaboration of potential beneficiaries with the authorities in the field and slows down the steps needed to implement the projects. Also, many of these projects are rejected and are not being funded, which creates a problem. Another important aspect relates to the co-financing rate imposed in a project, since the applicant has limited financial resources. This situation is amplified by the banks that are reluctant to provide funding to potential project beneficiaries.

Despite all difficulties that may arise and which have been mentioned above, the need to access these funds needs to be emphasized as funding through them offers solutions and is a necessary aid both for starting a new businesses and for developing and modernizing agriculture, infrastructure, etc.

Conclusions

Romania must understand that although essential and necessary European funds are only a complementary source and not a single source to finance the economic and social development of our country. In order to contribute to the development of our country in economic, social, infrastructure and agriculture fields, the main contribution should be the internal sources of investment that require the financing of the objectives resulting from the national state quality. It is necessary to complement these sources so that the development objectives in Romania are convergent with the development objectives derived from the EU member state status. "In fact, Romania had to take the most serious task of identifying its own development needs and to start a dialogue with the European Commission, not just taking over the themes and priorities suggested by it."¹²

It seems that, for the moment, Romania has no clearly formulated development priorities that need to be included in a strategic

¹² Annual Analysis and Forecasting Report-Romania 2014, p. 57

vision. Romania has not yet learned its lesson to attract European funds. We are in the fourth year since entering the new 2014-2020 financial calendar, and our country has not yet fully accredited its management authorities. Thus, Romania now risks to be cut out from the financing by the the European Commission unless it accredits all its management authorities. Money for agriculture is absorbed most easily because it is absorbed as direct payments. However, one of the most important programs with European money, the regional development program, which can help develop the infrastructure in Romania, is difficult to implement. A document sent by the European Commission underlines that Romania's weak infrastructure, especially the road infrastructure, limits its economic growth.

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The Impact of the Fiscal Legislative Changes on Legal Entities and Individuals

B.V. Condea, R.S. Bîlți

Bogdan Virgil Condea

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Raluca Simina Bîlți

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

In the present study, we propose a qualitative analysis, somehow critical, on the impact that legislative changes bring along in the field of taxation when it comes to individuals and legal entities level. Starting from the data provided by the National Institute of Statistics, based on our own calculations, we will take into account a period of 5 years, between 2013 and 2017, during which we will capture the impact of the legislative changes in the tax field on the living standard level. The conclusion of the study implies the need to re-balance the relationship between the private environment and the public environment.

Keywords: fiscal system, legislation, living standard.

Introduction

For the past recent years, the fiscal system in Romania has undergone a number of major changes. These changes concerned both legal entities and individuals.

The role of these changes was to eliminate the fiscal fraud and inequities, to increase the well-being of the population and, of course, last but not least, to increase the budget revenues.

The impact of the legislative changes on legal entities and individuals

The 2013 fiscal code brings a number of amendments as a first step towards eliminating business fraud, namely changing the limit for paying income or profit tax. The necessity of this change was due to the large number of businesses using fictitious expenses (which were not directly related to their object of activity) in order to reduce their profit. Since a thorough cost verification for each enterprise was not realizable, in 2013 it has been decided to increase the limit up to 65,000 euros. Thus, the number of corporation tax payers has decreased.

Although there have been a number of controversies and complaints within the private environment, the state has considered the measure to be favourable and in 2016 the limit has risen to 100,000 euros.

Still this year, those who pay the income tax, have to pay it as split tax rates, according to the number of the employees, respectively 1% if the enterprise has more than 2 employees inclusive, 2% if it has only one employee and 3% if there is no employee. In this context, an employee consists of a full 8-hour/day period, regardless of whether it is made up of two persons who work part-time.

The aim of this measure is to eliminate the 'undeclared work'. According to the statistics provided by the National Institute of Statistics, the number of employees in Romania has increased steadily. Taken into consideration as an average per year, in 2016 the number of employees increased by 116 thousand compared to 2015. One of the reasons was the assignment of several companies to pay the income tax instead of the corporation tax and quota conditioning by the number by the employees.

The legislative changes concerning the taxation of the legal entities continues in 2017, by raising again the limit up to 500,000 euros. For businesses with earnings over 500,000 euros and which are subject to corporation tax, the share is still 16% and for others the quota changes: 1% remains only if the company has one or more employees, and 3% if the company does not have employees. The last change occurred in 2018 when the limit is increased to 1,000,000 euros, and the amendment on the "achievement of incomes, other than in consultancy and management, in the proportion of 80% of the total revenues" for micro-enterprises and implicitly for payment of income tax is abrogated. The only criteria remain the limit of 1,000,000 euros. The tax rates remain the same.

With regards to the number of employees, this trend continued, and according to the statistics, in 2018, this trend seems to be preserved. In January 2018, the number of employees increases by another 45,000 compared to the average of 2017. As a direct effect, the unemployment rate starts to decrease. The most noticeable difference of 2017 is 0.8 percent compared to 2016, followed by 2015 when the unemployment rate decreased by 0.4% compared to 2014. Even though for the other years the difference is lower, the trend continues its decrease.

Since the payment of the corporate income tax is related to individuals (number of employees), the legislative changes on wages are even more important for the private sector due to the increase of the minimum wage in the economy. Taken as a reference, the period 2013-2018, the minimum wage has grown considerably. During the first two years of growth, the increase is less visible, of 100 lei and 150 lei respectively, but in 2018 the salary increases by 450 lei compared to 2017. This increase comes with the reformation of the salary contributions.

Even if the minimum wage growth is only in favor of the employees with a minimum of economy, starting with 2016, the rate of increase of the minimum wage has reduced the gap between the minimum and the higher wage earners. For example, employees who in 2013 had a salary of 1250 lei, in 2016, have come to be paid the same as those with a minimum of economy.

This phenomenon has generated a number of employee grievances, and employers have had to raise the salaries of other employees too. Therefore, their costs with the staff was much higher. The same effect occurs in the years 2017 and 2018.

Together with the unemployment rate that is much lower in 2017, the employers are forced to raise wages, as they face a shortage of qualified staff, which jeopardizes their work. Certainly, this situation can differ in Romania according to the areas and their degree of development. More specifically, Ilfov County and the city of Bucharest, together with the counties in the Western part of Romania, face the lowest number of unemployed people, benefiting from a developed economy that offers many jobs. In the counties in the East and South of the country, the number of unemployed people is almost double. In 2017, the lowest number of unemployed people was recorded, namely of 18,644 persons in the Western Region, followed by the Bucharest-Ilfov Region with 19,482 persons. At the opposite pole is the South West Oltenia Region with 60405 and the North-East Region with 66,568 people. But even in this case, the number of unemployed people is decreasing compared to the previous years, which is a positive indicator for the Romanian economy.

In addition to the salary level, the current legislation introduces major changes in salary contributions. The way social allowances are levied changes, as they are passed on to the employee. Certainly, the one transferring them to the State remains the employer. As an effective cost, it is the employer who feels the level of contributions and taxes because the employee is only concerned about the net earnings.

With regards to the changes, apart from the transfer of contributions to the employee, these are as follows:

- the share for state social insurance decreases by 1.3% for normal working conditions and reaches 25%,
- the share for health insurance falls by 0.7% and reaches 10%,
- the 1% unemployment rate is not charged anymore, however
- a new contribution to employers called "the work-related insurance contribution" is introduced, which is 2.25% and sums up the contributions previously due by the employer, including the unemployment contribution. As far as the income of individuals is concerned, the 2018 legislation provides a due tax reduction from 16%

to 10%. This quota is valid for most of the income sources made by individuals, including salary.

If these changes were not correlated with the increase of the minimum wage, the employer would have paid less to the State for a minimum salary employee, but so, the cost to the employer is higher.

The impact of the legislative changes on the consolidated general budget

In contrast to the impact felt by the taxpayers, the State, at its turn, felt the impact of these changes on the income earned from both legal entities and individuals. Nevertheless, this impact is further reflected on the expenditures, because there are also employees of the State for which the same contributions and taxes (in addition to the employee's net salary) have to be paid. With regards to the revenues earned by the State from corporation tax, salaries, income and capital gains, they increased from 2013 to 2017. The difference between these years is 11973.9 million lei. Taken into consideration from one year to the next one, the greatest difference is between 2015 and 2014 of 4714.7 million lei. As a GDP percentage, the largest share is 6% in 2015.

Divided into three tax categories, the highest earnings are from wages and income tax, followed by profit tax. As far as the receipts from the tax on wages and income are concerned, they have gradually increased since 2013, with the highest value in 2017, 30143.1 million lei. However, as a GDP percentage, the largest share is 3.8% in 2015, while in 2017 it is only 3.6%. The revenues from the profit tax registered the highest value in 2016 of 15442 million lei, then the highest share of the GDP was 2%. The "other taxes" category presents much lower values than the first two categories, with the highest value being 2025.4 million lei. As GDP share, it is at the same level in all years, 0.2%. The staff costs exceed the total earnings, from wages, profit tax, income and capital gains are continually increasing.

Certainly, here is the gross wage bill, but the amounts are extremely high. In 2017 they reached almost 70000 million lei, and as GDP share to 8.3%. In 2013, the expenditures are almost at the same level as the total tax collections in 2017 (when the highest amount of revenue was recorded).

This increase comes as a result of the measures taken by the government lately and the unblocking of some posts. Together with the salary growth and other facilities such as free days, shorter and easier schedules for some jobs, the work within the State system is becoming more attractive. Besides the large number of employees, the increase of expenditures is also due to the granting of various bonuses incentives and increased salaries for certain categories of State employees, the amounts being considerable.

Final remarks

Overall, the living standard in Romania has increased, the legislative changes have also had some positive effects, but in order to have a sustainable economy, the government needs to take more into consideration the private environment. Of the recent legislative changes, most of them burden the private environment, and its level of support keeps on decreasing. Certainly, the government has also adopted a number of measures such as various governmental programs (e.g. the Start-up nation program), but it is not enough to stimulate the emergence of new companies and support the existing ones, if they are not backed up. This category also includes investments that the State should make in order to boost the economy. According to the same note, the expenses should be much better managed, as it can be seen that the staff expenses are very high, provided that in 2017, Romania registered, according to the Ministry of Public Finance, a deficit of 28787,4 million lei.

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Considerations on the Evolution of the Main Indicators of the Labor Market in Romania

D.C. Dăianu, D. Haranguș

Dana Codruța Dăianu

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Daniela Haranguș

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract

The evolution of unemployment has been and will continue to be a topical issue, as all the world's economies become aware at one point of its effects, with the aim at macroeconomic level being to keep it at optimal levels for the smooth running of all economic activities. In the present paper we had as main objective the exposure of the essential aspects related to unemployment, as a macroeconomic phenomenon, the indicators used for its quantification, as well as the assessment of the manifestation of this phenomenon in our country.

Keywords: labor market, indicators, economy, unemployment, performance

The characteristics of the labor market in Romania

In an era of rapid technological change, exchange of information and the emergence of intensive knowledge industries, it is difficult to identify the next labor market requirements. Increased unemployment in the EU Member States and in developing countries in Eastern Europe combined with technological changes that can lead to a continuous change in labor market requirements, taking into account the fact that the educational offer, must be adequate according to the jobs demanded on the market .

EU Member States have researched some employment forecasting methods to identify future needs that address sectoral, occupational, educational and training factors that influence both demand and job offer.

In general, when we talk about the labor market, we consider it to be the meeting place of the demand with the job offer. As a first step in the analysis of employment and skills deficits, we need to define the scope of the labor market that we analyze.

There are three relevant dimensions to characterize the labor market: occupation and / or competence, the sector and the geographical area (regional, national and European level).

Demand for labor means the need for employees in different professions and qualifications in a given geographic space and within a certain time frame.

Global demand for labor is the labor market demand expressed by economic agents within the economy. By economic agents, we mean individuals or groups of people from different sectors of the national economy who use production items that are in their sight (including labor) to obtain a certain amount of goods or to provide certain services in large quantities and at the lowest cost. This category includes: credit and insurance institutions, public or private administrations, foreign and Romanian companies employing labor force in our country.

Demand for labor depends on a number of variables: economic growth rate, demand for goods and services, investment rate, technical progress, the cost of labor.

Under ideal conditions, having a perfect competitive labor market would only be possible with a good communication system characterized by informational decentralization, giving the individual the chance to choose between different options but also taking into account the disadvantages of risk.

In general, in Romania, due to a malfunctioning information system on the labor market, it is only possible to estimate the total demand and activities at a certain moment, taking into account the working age population, the employed population and the active population. The indicators that are used to assess the type and demand for labor can be structured into two categories:

- *Level indicators* (total number of people who have applied for a job, total number of people who have found a job and the number of individuals who have not found a job),
- *Structure indicators* (the same indicators structured according to different criteria: age, sex, branches of activity, professions, levels of education).

The indicators used to analyze the labor supply are as follows:

- Number and structure of the unemployed (by gender, age groups, training levels, occupations, while looking for a job);
- Number of people employed (looking for another job and who can start work immediately and people who are looking for a new job, but who can not start work immediately);
- Number of employed persons and their structure by age groups, by gender, by training levels;
- The number of graduates in high school and university education, and their structure by sex, by level of education and training.

Indicatorii folosiți pentru analiza ofertei forței de muncă sunt următorii:

The main objectives of the National Agency for Employment for the year 2017 were:

- To increase the employment and vocational training of jobseekers in the internal labor market by implementing the measures foreseen in the National Strategy for Employment 2014-2020;
- The provision of EURES services provided by Community legislation on job vacancies and job vacancies within the European Union;
- Strengthen the administrative capacity of the Public Employment Service in order to provide personalized, modern and quality occupational active services and measures for each individual;
- Increasing the visibility of the National Agency for Employment regarding the services and measures granted, as well as the results obtained from their implementation;

- Strengthening interinstitutional collaboration at national and international level.

Evolution of the main labor market indicators in Romania

In order to achieve the priority objectives in its field of activity, the management of the National Agency for Employment was based on the following directions of action:

- implementation of the employment program and of the vocational training plan, as well as their adaptation according to the requirements and evolutions in the labor market, in order to achieve the performance indicators established in the Contract signed between the Minister of Labor and Social Justice and the President of ANOFM;
- Developing relationships with employers and increasing the personalization of actions for jobseekers;
- developing the institutional capacity of the National Employment Agency with regard to the EURES reform in order to ensure labor mobility within the European Economic Area;
- training of own staff on the different levels of their own activity, with emphasis on professional information and counseling of registered persons;
- elaboration of projects in order to achieve the institutional strategic objectives by accessing European non-reimbursable funds;
 - informing beneficiaries, employers and jobseekers about the services provided by the Romanian public employment service.

The main indicators characterizing the civilian labor force after participation in the economic activity, according to the data provided by the National Institute of Statistics, were presented at the beginning of the year as follows:

- labor resources: 12,562.1 1 thousand persons,
- active civil population: 8,735.8 2 thousand persons;
- the working-age population and other working age population: 3,826.2 thousand persons;
- the civilian employed population: 8,317.6 2 thousand persons, of which 5,223.8 thousand were employed.

At the end of December 2017, the registered unemployment rate was 4.02%, thus reaching a historical minimum of the last 25 years, the downward rate of unemployment manifesting throughout the year, atypical for an economy that has seasonal activities .

The average number of unemployed in 2017 was 374,650, while the average number of unemployed persons was 73,066 (19.5% of the total number of unemployed). Regarding the registered unemployment, by sex, it is found that the female unemployment rate was, in the analyzed period, below that recorded among men.

The number of unemployed in rural areas is higher than in the urban area. With regard to age structure, over the reference period, most unemployed people are aged 40-49, with an average of 29% unemployed, while young people under the age of 25 represent on average an unemployment rate of 11.3%.

Tabel no.1. Evolution of male and female unemployment rates, in comparison to the national unemployment rate, during 2017

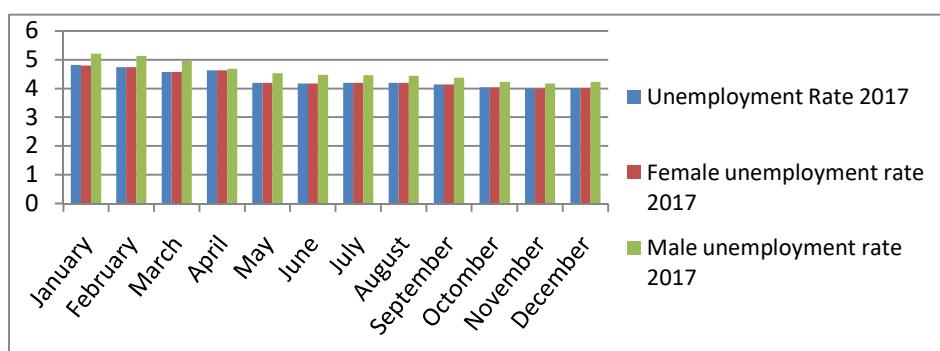
Month	Unemployment Rate 2017	Female unemployment rate 2017	Male unemployment rate 2017
January	4,82	4,80	5,21
February	4,74	4,74	5,13
March	4,57	4,57	4,96
April	4,63	4,63	4,69
May	4,20	4,20	4,53
June	4,17	4,17	4,47
July	4,20	4,20	4,46
August	4,20	4,20	4,44
September	4,14	4,14	4,37
October	4,04	4,04	4,23
November	4,00	4,00	4,18
December	4,02	4,02	4,23

Source: National Employment Agency ANOFM, 2018, Activity Report for 2017, <http://www.anofm.ro/raportul-de-activitate-al-anofm-pentru-anul-2017>

Starting January 2017 and by the end of December 2017, it was estimated that 17,563 people were collectively made redundant, but the practice has shown that many economic agents have revised their restructuring programs so that the actual staff layoffs in January-December 2017 were 9,790 (below 56% of the estimated number). This demonstrates a low predictability of the economic, business environment

The number of vacancies registered in 2017 was 7.79% higher than in 2016. As in 2016 the number of vacancies declared by employers was 441,217, in 2017 the number of vacancies was 475,592.

Fig. no.1. Evolution of male and female unemployment rates, in comparison to the national unemployment rate, during 2017



Source: National Employment Agency ANOFM, 2018, Activity Report for 2017, <http://www.anofm.ro/raportul-de-activitate-al-anofm-pentru-anul-2017>

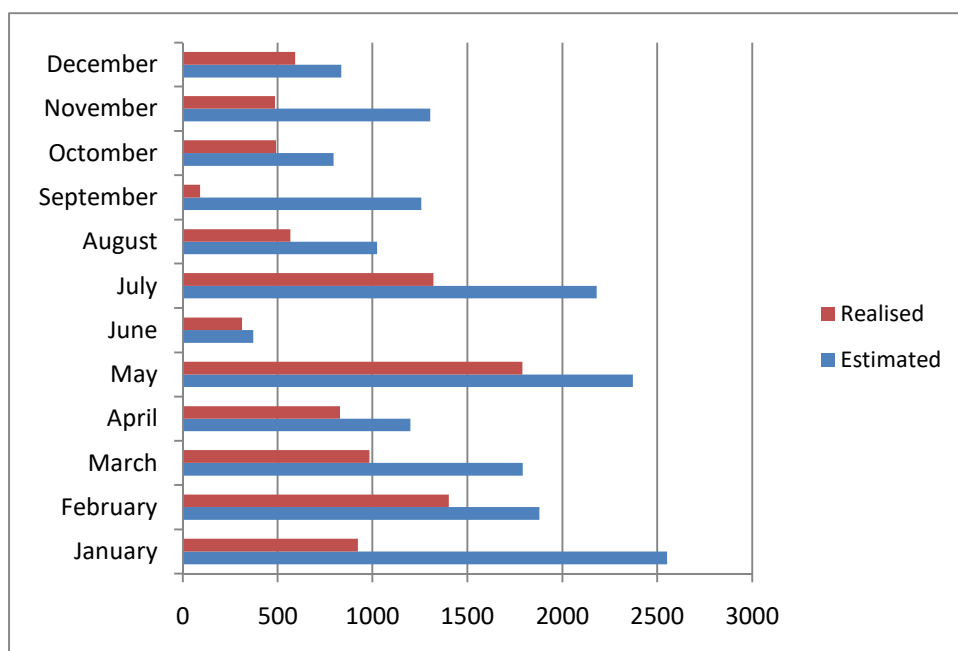
Tabel no.2. Number of estimated and achieved unemployed persons in 2017

Month	Number of estimated unemployed persons	Number of achieved unemployed persons
January	2552	923
February	1879	1403
March	1790	984
April	1200	829

May	2372	1789
June	371	312
July	2181	1321
August	1025	568
September	1258	92
October	796	492
November	1304	486
December	835	593
TOTAL	17563	9790

Source: National Employment Agency ANOFM, 2018, Activity Report for 2017, <http://www.anofm.ro/raportul-de-activitate-al-anofm-pentru-anul-2017>

Fig. no.2. Number of estimated and achieved unemployed persons in 2017



Source: National Employment Agency ANOFM, 2018, Activity Report for 2017, <http://www.anofm.ro/raportul-de-activitate-al-anofm-pentru-anul-2017>

Of the total vacancies registered in 2017, which were made available to jobseekers in the National Employment Agency (ANOFM) records, of which 100,549 were repeatedly made by employers, with about 20% more than the same period of 2016 (83,690 jobs were repeatedly declared)

Conclusions

In May 2018, Romania registered an unemployment rate of 4.6%, ranked 9th in the top European Union countries with the lowest unemployment rate, the unemployment rate in Austria being 4.6% , in the UK by 4.1% and in the Netherlands by 3.9%.

As far as labor demand is concerned, information was obtained from employers acknowledging the difficulties in recruiting the necessary staff, but also in retaining in the companies the staff that was already employed. According to surveys conducted by the Manufower Group at the cancellation level of 2016, about 72% of employers have struggled to fill available jobs, the highest percentage since 2008. There was a shortage of staff with medium or high-level qualifications in the engineering, car-engineering, information technology and service sectors. Only 29% of Romanians have at least basic computer literacy and less than 6% of companies provide ICT training to their employees. Higher salaries received abroad, low internal mobility, limited entrepreneurial initiatives, and insufficient correlation of the level of training offered in school with labor market needs contribute to rising labor shortages.

The wage increases in recent years have reflected, have highlighted a contraction in the labor market and labor productivity and wages converging towards the EU average. In real terms, in Romania, in the last years there has been a certain acceleration in wage growth, and as expected, the most significant increases occurred in the manufacturing, IT and financial sectors as well as in the public sector. In the post-crisis period, the deepening of the labor shortage led to a drop in wages, especially in the economic sectors where a medium or high-skilled workforce was needed.

In addition, there were other factors such as the successive increases in public sector wages, but also the steep rise in wages at least as low as the law. However, the fact that in 2018 social contributions was almost entirely passed on to employees could have a negative impact on short-term net salaries.

Compared to 2012, the minimum wage in 2018 reached a level above 100% higher in nominal terms, with the gross minimum wage rising from 700 RON (approximately EUR 162) in 2012 to 1 450 lei (approximately EUR 315) in 2017 and reaching RON 1,900 (approximately EUR 413) in 2018, this amount including employers' contributions to the social security fund. The growth rate of the minimum wage over the period 2012-2017 has exceeded the average wage growth rate and brought the number of workers receiving the minimum wage to around 30% in 2016, which makes the wage distribution compressed to the lower salary limit. Despite a proposal to consider as a solid basis for consultation a set of objective criteria supported by the social partners, the minimum wage continues to be set by the government in a discretionary manner.

Demographics and emigration affect labor market supply. The population dropped significantly compared to 2008 and the distribution among the age groups evolved unfavorably. In addition, some 3.4 million Romanians work and live abroad, affecting important sectors such as health.

The highest share of emigrants is younger and well-qualified than the average of the Romanian population, a phenomenon that has the effect of diminishing the supply of skilled labor. In the short term, the money transfers made by most of the workers going abroad to homeless people can contribute to improving the general and financial situation of their families, but these long-term phenomena, ie negative demographic trends, and emigration can influence economic growth as well as revenue convergence.

Although the working age population is declining, there is an important back-up workload still untapped. The labor force participation rate of the 20-64-year-old population remains one of the lowest in the EU, despite recent improvements.

As disparities between regions continue to be important, it is considered that an adequate combination of labor market policies would contribute to the activation and improvement of certain disadvantaged groups, especially women in the low-age adult population, Roma, but also young people, especially in rural areas.

The gender gap in terms of employment is important, with older women in particular being affected. The gap has increased from 16.7 percent in 2014 to 17.6 percent in 2016. The employment rate and the female employment rate are still well below the EU average, especially for older women, partly due to the lack of childcare centers, child placement facilities after school hours, and long-term care services that are affordable. The government has taken some steps to formalize the employment of caregivers and plans to fund 2,500 crèches

Due to gender disparities in terms of employment, there is also a gap in the level of pensions received, which is one of the highest in the EU. Despite these difficulties, the law on equalizing the retirement age for men and women is on the debates of Parliament in December 2013 and its plenary debate has not yet been scheduled.

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Advantages and Disadvantages of Euro Adoption in Romania

L.I. Mazuru

Luminița Ioana Mazuru

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract:

The currency, especially when it devaluates, is a general rescue package in the event of large economic downturns, but this is actually considered just a smaller disaster instead of a bigger disaster. Any action, in any field, will always have both advantages and disadvantages or risks, but as long as most states have adopted the euro, it should be noted and appreciated that there are more advantages than drawbacks.

Key words: euro, leu, Romanian economy, European Union, exchange rate, bank, real convergence.

Introduction

In the following period, Romania intends to switch to the euro. In this regard, we must understand how this change will affect us as simple citizens, what this means for our pockets, our salary, our bank loans and everyday living. There are different views on this issue as the term is being delayed and the future of the economy depends on euro. Certainly, Romania will move to the euro, as we have assumed this on our accession to the European Union.

According to the accession treaty to the European Union (EU), Romania, as well as the other new members, must participate in the Economic and Monetary Union. At present, Romania fulfills the conditions stipulated in the Maastricht Treaty and therefore is important to determine whether the adoption of the euro and entering the Monetary Economic Union has advantages and triggers an entire process of real convergence of the Romanian economy.

Romania's accession to the euro area: how and under what conditions can be achieved

Romania needs a clear vision of the euro changeover and so far no one has announced (a deadline) when it this will be done. At present, Romania has a flexible exchange rate and the changeover to the euro requires a fixed exchange rate. It can therefore be said that adopting the euro requires a more complex and different process. Integration into the EU is a dynamic and a long-lasting economic process, thus making a difference between EU integration and EU membership.

The changeover to the euro requires a few steps, reaching a degree of comparability (as a whole process), wage comparability of the budget deficit, debt, etc. We cannot compare a minimum wage in Romania of about 2000 lei that we share in a hypothetical course with a minimum wage from a Member EU State of the using euro. The European Union requires you to meet some quality conditions. Thus, from the transition point of view, the National Bank of Romania no longer has decisional autonomy regarding the currency, this decision being made at the European Central Bank in Frankfurt. All decisions for all EU countries are taken from there and they will no longer be related to the economic conditions in Romania, but reported at the level of the euro area countries.

Therefore, it is normal for us to continue to be concerned about the objective of joining the euro, which is practically an objective of the performance of macroeconomic, microeconomic, competitiveness, etc. Regarding this issue, it is necessary to discuss and determine *how*, *when* and *under what conditions* this objective could be achieved, taking into account the real and nominal convergence criteria, the steps preceding the accession to the euro and the deadlines that are more or less realistic. It is necessary to remember *why* it is worthwhile to adopt the euro, what are the advantages that would justify the changeover and also assume the potential risks.

An unhealthy real economy may not perform, but, in Romania, we always asked ourselves what is more important the real economy (what we produce) or the money? The money, no matter what is called leu, euro, dollar, etc. is a convention and the most important is our trust in that currency.

On the national territory, we are forced to use leu as a currency, but when we leave the country, we no longer have to choose between euro, leu, dollar, etc. and we are guided towards a currency we trust. A strong currency is reflected in its degree of market stability not in a high exchange rate. Thus, when we see the fluctuations in leu we realize it is not a stable currency and as a businessman this lack of stability can produce losses and also can help chose a stable currency (volatility). For instance, at present, a person has a salary in lei but pays his / her rates in euros. Romania's transition to the euro would help it better control its budget in the years to come. It is said that in France and Germany, the changeover lead to a 20% raise of the prices from mere rounding from the French franc to the euro or from the mark to the euro. However, there is a threshold of transparency in which we can see how much the products cost in lei and how much they cost in euros.

Before moving to the euro, we need to ensure the stability of the national economy, make sure that our economy is productive and is not dependent on this convention called leu or euro. From the point of view of the national economy price stability is needed (in economic terms inflation), a medium price variation of the consumer basket, a maximum 60% external debt threshold, a stable exchange rate (a 15% exchange range for euro) and a long-term interest rate within a range of plus-minus 2% versus the top three most performing EU states in that chapter. This changeover from leu to euro has both advantages and disadvantages, since the euro has been a reference currency for the leu since 2003. The euro changeover provides a control element in the national economy. The transition must take into account the fact that the National Bank must be fully independent, not controlling the exchange rate and must fully comply with the European Central Bank's legislation.

Macroeconomic benefits of the changeover:

- reducing the risk of financial and monetary discrepancies;
- medium to long-term interest rate stabilization;
- discipline effect on economic policies;
- reducing the risk premium for loans to less developed economies.

Microeconomic benefits of the changeover:

- reduce transaction costs;
- increase international price transparency;
- eliminate exchange rate risk against the euro area;
- increase the volume of external exchanges.

The issues highlighted above are arguments that can help and convey faster economic development, higher stability, welfare and a more efficient allocation of resources.

It must be stressed that fulfilling the Maastricht criteria is a necessary but not sufficient condition. The Treaty of Maastricht comprises three separate components or three pillars, thus the Treaty lays the foundations for the economic and monetary union, the single currency (euro) and the criteria for using this coin.

The euro coin is introduced in several stages:

- 01.01.1990 – capital movements are liberalized;
- 01.01.1994 – the convergence of national economic policies is applied;
- 01.01.1999 – the European Central Bank is established and the single currency is created.

In the future, the only way for Romania is the pro-European way and the citizens of Romania must be European citizens treated as the rest of the members of the EU.

According to official declarations made by several officials of the European Central Bank, Romania could join the euro zone in 2024 and the Romanian National Bank representatives argue that one of the conditions that must be met is to attain a living standard of at least 70% of the European average. Nowadays, 19 out of the 28 member EU states are part of the euro area.

When Romania will adopt euro, wages, pensions, all incomes and all prices will be converted from lei to euro.

As far as the question whether the adoption of the euro will have positive or negative effects in our country, 11% of Romanians believe it will have positive effects, 43% - rather positive effects, 27% - rather negative effects and 13% believe it will have extremely negative effects (only 6% did not respond).

Conclusions

Mayer A. Rothschild (Jewish banker) said: *"give me control of the national currency and I do not care about any law in the world."* The problem is not if we adopt the euro but when we adopt it and we must be careful and have a proper public consultation and information to know what this change brings new. Some of the (nominal) convergence conditions are already met: inflation, interest, budget deficit, foreign exchange debt, but there is a problem of real convergence that refers to productivity, level of development, investments and there are things that need to be recovered otherwise we may fail. Romania's accession to the eurozone is an essential step when all conditions are met. It is important that the changeover is not only a political decision, a trophy, but the will of the citizens, who must understand what this means for Romania as a country, but also what it means for every Romanian citizen.

There are clear advantages derived out of the changeover such as macrostability, we remain a stable (financially speaking) country, trading costs disappear with everything in the euro area, there will be an alignment of interest rates, similar euro market financing costs, smaller than those in Romania, easier access to credits and no more exchange rate fluctuations. We can also talk about some negative or risk points that need to be mentioned such as price variation, the fact that real convergence still does not exist, the lack of sufficient productivity, etc.

As a country we must be sure that this monetary convergence is done in parallel with the convergence of the Romanian income, the change to the euro can only be done after the incomes of the Romanian citizens can be comparable to those of the EU or they can be close to those from other Member States. Romania needs to show that it supports the cohesion policies and that, together with the other Member States, we have the same goal, a Union in which Member States pursue the same target, and we need to learn from the countries that have already adopted euro and had the same issues as Romania. It is certainly a major change, and naturally it deals with resistance to change.

When Romania will adopt euro, it must begin to take advantage of greater freedom of movement in prices, to benefit from lower transaction costs and the stronger macroeconomic and microeconomic structures.

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Accounting and Legal Aspects regarding the online Romanian Crowdfunding Platforms' Operations

C. Nicolaescu D. Tăgăduan D. David

Cristina Nicolaescu

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Diana Tăgăduan

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Delia David

Faculty of Economics, Computer Science and Engineering

"Vasile Goldiș" Western University of Arad, Romania

Abstract: The present paper aims to detail the law and the accounting aspects related to the platforms of participative funding running. Even if, the crowdfunding, as a funding method, is internationally used more and more often and for a certain period of time, it represents a new concept in Romania. In principle, the crowd funding or the participative funding, as the term has been assumed in Romania, represents the funding of a project elaborated by an individual or by a legal entity, by any interested person. The operations unfold using online platforms, which connect the investors and the projects' developers, requesting a commission in exchange for this service.

Key words: crowd funding, online platform, accounting aspects.

Introduction

In the present article, we propose to present some case studies on crowdfunding operations.

Please note that the case studies are hypothetical and the accounting and tax approaches of the case - studies represent the opinion of the authors of the article, given that now, in Romania, the functioning of crowdfunding is not regulated.

Research issue

The studies will analyze the impact of operations both at the level of the companies that own online crowdfunding platforms as well as at the level of the companies that benefit from the amounts raised through this way of financing. As a result, we will not consider the situations in which the projects are of social, humanitarian nature and regard foundations, associations and other non-profit organizations.

Results and discussions

Because in Romania at the level of 2016 there is no legislation, which specifically regulates the activity of crowdfunding, we will use below the definitions, notions and legal basis proposed by the draft law regarding the development of crowdfunding from September 2015.

After trying to specify the object of the Law (which is not very clear if it is about crowdfunding as the title of the law says or about the functioning of the online platforms of crowdfunding) and the definition of the main terms. The project presents the features of crowdfunding. From this presentation, it follows that we are talking about direct investments made on request of project developers. In order to be treated as crowdfunding, these investments must meet certain features:

- The investors expect to make a profit from the investment of capital;
- The projects are initiated by the project developer who is a legal person;
- The funding is meant to a specific, clearly defined and limited project;
- The funding is made by one of the forms specified by the law.

The draft law further does some other clarifications regarding the conditions that must be met by a legal person to be able to obtain an online crowdfunding platform and the registration requirements of these platforms by the Authority for Financial Supervision.

These requirements refer both to the company that has to prove that it is capable from the logistic and financial point of view (the minimum capital is of 25.000 Euros) to ensure the operation of the platform as well as to the moral probity of its owners.

The draft law lists the forms by which the crowdfunding of projects can be implemented, namely:

- Issue of securities (shares) or bonds (in case of joint stock companies);
- Issue of debt securities, which give the investors the right to charge interest.

As a consequence, those who invest in projects financed through an online platform can either become associates / shareholders of the company that proposed the project, or become creditors who apart from the sum they invested they can also receive an interest. It can be seen, that the draft law refers only to two of the four forms of crowdfunding which appear on international level, namely crowdlending (ie Loan-based crowdfunding) and crowdinvesting (or Equity - based crowdinvesting), without including crowddonating (namely Donation-based crowdfunding) or reward-based crowdfunding. The draft law also limits the maximum amount collected for a project through crowdfunding platforms at the equivalent in lei, at the exchange BNR rate of the day of posting the project, to 1 million euros.

Case study

We take into consideration the Company Platform S.A. which registers as crowdfunding platform, receiving the consent from the Authority for Financial Surveillance to operate online operations.

The main services offered by the platform are:

- Receiving and publishing on the platform the financing projects;
- Ensuring the link between the potential investors and project proponents;
- Collecting the amounts from the investors and transferring them to the final project developer if the projected amount is raised or returning the amounts to the investors if the desired amount is not raised (the platform applies a policy of “all or nothing”,

which means that only those projects for which the full amount is raised will be financed).

For these services, the platform charges a commission from the amount collected, which differs depending on the complexity of the services it offers, being higher when funding with issue of equity securities.

In addition to these services, other services are offered against payment, such as assistance and support for making publicity to the projects, etc.

S.C. Mobila S.A. is a profitable company, with a strong economic growth in recent years, which has expanded into new markets and wants to open new factories in another location. Because besides the desire to invest on a large scale, the company also intends a restructuring of the capital by coping new shareholders, one has chosen as a way of funding the crowdinvesting or Equity-based crowdinvesting. Another reason, for which the two shareholders of the company have decided to seek crowdinvesting and not to seek a small number of persons to purchase the newly issued shares, is that by coping a large number of shareholders, each with a small financial contribution, they will keep the control over the business.

The representatives of S.C. Mobila S.A. made the necessary analysis and concluded that a capital increase by 500.000 Lei would ensure the necessary resources for expansion without the old shareholders to cede the control over their business.

The next step was to prepare the necessary documentation, which involved both accounting documents, especially financial reports from the last years, but also other information about the company that might be relevant to the potential investors. In order for these data to attract as many investors as possible for the project, they were elaborated in a more accessible and attractive form.

The representatives of the platform have checked the veracity of the data submitted by S.C. Mobila S.A. and decided to place the application for funding on the platform. With the end in view, the platform made the information available, consisting of: general description of the business, presentation of the shareholders, managers and other decision makers within the company, presentation of the financial situation, the structure of the capital and debts, etc.

Considering that, the form of funding was the one of Equity – based crowdfunding, an important component of information was the description of type, class, and way of registering the offered equities as well as of the essential features and risks associated to the issuer of shares and of its guarantors and the situation of the possible disputes. Another important category of information for this type of funding refers to the description of rights related to the issued equities, the way of exercising them, the convertibility of the equities as well as any limitations of these features, including of the right of sale and redemption. The period of the funding campaign was set at 30 days.

Due to the prior advertising campaign made by S.C. Mobila S.A. in the real and virtual business environment, when launching the project on the platform, the potential investors already knew it so the raise of the amount was completed within 20 days.

The general procedures for issuing the new shares and allotting them to the investors will be made by the funding platform. The commission charged by the platform for its services is of 10% from the accessed amount.

Being an equity - based crowdfunding, the general operations are:

- a) At S.C. Mobila S.A. : guarantee deposit of 5%; issue of new shares; receiving the amounts; receiving the invoice issued by the platform for its services; paying the invoice:
- b) At the funding platform: receiving the guarantee; raising the amounts from the investors; transferring the amount to the developer; invoicing the services; cashing the equivalent value for the services.

Registration of operations in the developer's accounting

Since the amount required to finance is of 500.000 Lei, the deposited guarantee will be of 25.000 Lei and supposes the transfer of the amount of 25.000 Lei from the account of S.C. Mobila S.A. into the account of the funding platform. Being a guarantee, it will be recognized in the accounting of S.C. Mobila S.A. as a short-term debt and will be registered in a distinct analytical of 461 account. "Various debtors". Under these conditions, the accounting formula of the operation will be:

25.000 461.0x = 5121 25.000

The chosen form of funding being that of equity – based crowdfunding, it will be registered the issue of new shares in the amount of 500.000 Lei:

500.000 456 = 1011 500.000

When cashing the amounts in the bank account, the debt towards the new shareholders will be redeemed:

500.000 5121 = 456 500.000

And at the same time, the transformation of the subscribed unpaid capital into subscribed paid-up capital:

500.000 1011 = 1012 500.000

The repayment of the guarantee deposited at the beginning of the project in sum of 25.000 Lei is going to be registered:

25.000 5121 = 461.0x 25.000

For its services, the platform issues an invoice. Since the amount collected within the project was of 500.000 Lei and the commission charged by the platform id of 10% of this amount, the invoice will be of 60.000 Lei from which 50.000 Lei the value of the services and 10.000 VAT:

50.000 628 = 401 60.000
10.000 4426

Paying the invoice

60.000 401 = 5121 60.000

The registration of operations in the accounting of the funding platform

The first operation made by P.F.P. will be cashing the guarantee of 5.000 Lei deposited by the developer. As the amount does not belong to it, the platform will register the amount as a short – term debt, in a distinct analytical of 462 account “Various creditors”

5.000 5121 = 462.0x 5.000

For conducting the operations regarding the funding project of the developer S.C. Cuptorul de Aur S.R.L., the funding platform opens a collecting account (C.C.) in a bank in Romania, where the amounts raised from the investors within the 20 days of the funding campaign will be registered:

100.000 5121C.C = 462.0x 100.000

After the whole amount is raised, it will be transferred in the account of the project developer S.C. Cuptorul de Aur S.R.L., refunding the guarantee deposited by it:

100.000 462.0x = 5121 C.C 100.000
5.000 462.0x = 5121 5.000

The funding platform invoices the services carried out towards S.C. Cuptorul de Aur S.R.L. (namely the commission of 6% applied to the drawn amounts):

7.200 4111 = 704 6.000
4427 1.200

And cashes this amount in its running account:

7.200 5121 = 4111 7.200

Cashing the amounts from the project developer representing the credit rates and the interests and their transfer towards investors depending on the deposited amounts will generate the same type of accounting operations as cashing, namely transferring the initial amounts when financing the project (through accounts 462.0x “various creditors” and 5121 C.C. “Bank accounts in Lei”).

From fiscal point of view, the operations carried out by the funding platform will generate taxable incomes from services, registered when invoicing as well as VAT collected on the income.

As for the other forms of crowdfunding, namely reward-based crowdfunding and crowddonation, we suggest the following registrations.

In the case of reward-based crowdfunding the advantage is that the developer has the marketing ensured for some of its products, the financiers build an initial market with the opportunity of expansion. Under these conditions, the amounts received from the financiers (through the means of the platform) will be registered as advance from the clients:

**5121 “Bank accounts in lei”= 419 “Creditor clients”
4427”Collected VAT”**

From this registration one can see that one disadvantage of the method is the VAT collection when cashing the amount of money, as the Tax Code provides (art. 282, paragraph 2, letter b), VAT which is a temporary debt to the state budget, which means, either a reduction of the amounts which remain available for the project developer or requesting a higher amount, which includes the VAT, which makes the funding more difficult.

After carrying on the production flow, final products are obtained and these are delivered and financed to the financiers, beneficiaries of the products:

**4111 “Clients” = 701 “Income from selling final products”
4427”collected VAT”**

Simultaneously the advance and the VAT are regularized.

419 "Creditor clients" = 4111 "Clients"
4427"Collected VAT" due to the advance in
red (with minus)

When funding through crowddonation, when the amounts collected are transferred by the platform in the account of the project proponent, the income from donations are recognized.

5121 "Bank accounts in lei"= 7582 "Income from the received donations "

From fiscal point of view, the income from donations will be taxable while the recipient is a company, so it has a profit-making activity.

Conclusions

From the presentation of the features of crowdfunding, which is intended to be the equivalent of the crowdfunding operations in Romania, it follows that the online funding platforms existing nowadays in Romania (Crestemidei.ro, Kazuu.ro, Multifinantare.ro, PotSiEu.ro, We-are-here.ro, etc.), the majority of which are non-profit organizations and mainly support social and/or humanitarian projects, and the beneficiaries of the mounts are natural persons, do not fall into this category.

Another conclusion is that the actual draft law regarding the crowdfunding is far too restrictive, as imposing drastic conditions both to the companies that will fund the online funding platforms as well as to the possible developers, project proponents. Given that this form of funding is seen worldwide as an easier, and generally cheaper form of funding, it is obvious that the way in which the legislation of this activity will not be incentive at all for the companies interested in it.

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The Accounting Information between Accessibility and Privacy

C. Nicolaescu, D. Tăgăduan, L.C. Risti

Cristina Nicolaescu

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Diana Tăgăduan

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Lucia Camelia Risti

Faculty of Economics

“Aurel Vlaicu” University of Arad, Romania

Abstract:

The paper tries to emphasize several aspects regarding the quality and the amount of the accounting information that should be delivered to each group of users, taking into consideration their relation with the company and their needs of informing. Pointedly, it is trying to answer to the question which is the ideal structure of the accounting information such that to be avoided a too synthetic character that offers too less information, their understanding being impossible or, on the contrary, too many information, being exceeded the professional/commercial secret's limits to the detriment of the entity delivering the information.

Key words: transparency, privacy, financial communication, accounting information.

Introduction

The role of accounting is to provide “accounting information to all the users when they make economic decisions.”

Each category of users has specific needs of information and accounting should offer each of them the information they need. The final product of accounting is the accounting information. In order for this product to be asked by the market, the chartered accountant must be familiar with the market requirements opposite to what he produces. In this respect, he must conduct a real “market study” to know the wishes of his clients in respect to the “product” accounting information.

The cleavage of accounting information in public information and confidential information appeared with the delimitation of management accounting to that of financial accounting, in the second half of the XIXth century. This division of accounting on two levels was generated by the growth of the number of joint stock companies (which have separated the management of economic entities by their owners), of the industrial revolution and the emergence of competition in economic life.

Research issue

The aim of this study is to establish which are the informational needs of different categories of users because in order to be useful, the accounting information must not only be fair, objective, relevant, but also transmitted to users in a more accessible way as well.

Results of the study

In a first classification, we can divide the users of accounting information into internal and external users. The internal users are represented by the management of the economic entity and other decision factors within it.

In the category of external users there are included third parties with which the economic entity enters into relations during its activity, namely: commercial partners (suppliers and clients), staff (employees), the state (through the tax bodies and other social bodies), banks and other categories of financiers, shareholders/ associates, financial analysts, other categories of users.

Next, we will try a detailed division of the needs of information of these users to establish, for each category which and how much accounting information must and can be communicated.

The management of the company represents the internal users. The need for accounting information of this category is the most obvious. In order to make decisions for a good management, this category of users needs detailed information. There are no limits regarding the disclosure of information for these users. Here we cannot speak of discretion, they must know everything about the entity they run, in the smallest details. However, beware, not even in this case the applying of the concept of the threshold of signification in financial communication can be neglected, which involves providing relevant information. The details are good to the extent that they bring additional information, it can influence a decision. Otherwise, they only hinder understanding.

On the other hand, in the practice of large companies, there is generally, a system of financial situations (reporting), which function in parallel with the general accounting, and which are drawn up considering the criteria of management, independently of the constraints which the financial accounting have to bear.

In the Romanian accounting, unfortunately, a privileged user of the accounting information is the state through its tax bodies. This category of user wants to know the way in which the entity has calculated, registered and paid the obligations towards the state and other public authorities (namely taxes and various contributions). Regarding these users, there is no discretion, they are entitled (by law) to know everything, to have access to all information related to an economic entity.

Often this category of users is more interested in the accounting information than the managers of the company, which is why many entities organize their accounting for the treasury, which from the point of view of the management of a company it is very dangerous, with serious implications for the proper development of the entire business.

The investors are persons who provide capital under risk conditions. They and their counsellors are interested in the risk inherent in the investments in which they have committed or intend to commit and on the profitability, which they produce or will produce. As such, the investors need first the information that helps them to decide upon the moment in which they buy, preserve, or sell parts of the capital.

It is known that the economic entities have a certain flexibility in interpreting the accounting norms, consequently the companies that do not want to expose the difficulties they face to users, through the synthesis documents, tend to take advantage of the flexibility rules, in order to obscure the results. In this situation it is obvious the replacement of transparency through opacity, so a discretion that transcends the professional ethics.

On the other hand, the big efficient companies, listed at the stock exchange, that make the object of processes of economic globalization, prefer that the norms to be more precise and flexible, so that the market to be able to clearly rank them, after their performances. In this situation, we are talking about an extreme transparency. It is well known the fact that the Anglo - Saxon markets, where the main source of financing is the investors, although the legislation does not expressly require this, the economic entities from this category draw up reporting documents on hundreds of pages, which contain a multitude of information, just to give a more complete view upon the economic and financial situation of the entity.

To be relevant for the investors, communication has to take into account the forecasting information, especially that regarding the cash flows, to staggering them and their likelihood of occurrence.

Therefore, when transmitting information towards the investors, one can see a different attitude, depending on the performances of the entity: discretion, not to highlight a less favorable situation, namely transparency, in order to provide as much data on a favorable economic situation.

The creditors represent another category of users of accounting information. The creditors are third parties that provide loans for the company, for a period established in advance, on the exchange of a fixed remuneration called interest, and with the obligation on its part to reimburse the amounts received, usually deferred until a date known under the name of maturity.

In our country, the main source of external foreign funding are the banks. In order to access a loan, the companies must offer the financing bank all the information it requests. So here too, transparency must prevail over discretion.

The trading partners of the company, represented by its clients and suppliers, are interested in the accounting information that enable them to formulate judgments on the financial and sustainability of the business. Thus, the suppliers - as any other creditors - are interested in the solvency of the company and other information, which enable them to appreciate if the payment deadlines will be obeyed.

Depending on this information, they will project their sales policy towards companies (their client).

The clients need accounting information that enables them to assess the continuity of the activity of the company, in order to appreciate the risks incurred on the security of their supply. In the case of the commercial partners, the level of information disclosure is and/or has to be reduced, because here we can talk about competition.

In our country, the stimulation of competition and of a loyal competition environment is regulated by law no. 11/ 1991 regarding unfair competition with the alterations and amendments brought to law no. 21 / 1996 and law no. 298 / 2001. According to this norm, it is considered a commercial secret, "the information that on the whole or in exact joining of its elements, is not generally known or is not easily accessible to people from the environment which usually deal with such sort of information, and which acquires a commercial value through the fact that it is kept secret, and the holder took reasonable steps under the circumstances, to be held as secret". The protection of the commercial secret operates as long as the above mentioned conditions are fulfilled.

In the case of the business partners, the information provided to them has to be dosed so that they offer enough information to encourage and stimulate collaboration, but, at the same time not to enter the scope of information that can enter in the area of commercial secret. In this case, one must take into account both the direct as well as the indirect competitors.

Accounting is the privileged source of information, for any financial analyst in order to carry out strategic and financial analysis. Although privileged, it is not the only source: a financial analysis, which would neglect general information - knowledge of markets, technologies, public or social environment, relational climate of the company - might lead to erroneous conclusions.

By some estimations, the company appears in the future, as “a central institution of the society”. An increasingly wider public is interested in both the decisions and the evolution of the activities of the company. Thus, the political officials of local collectivities are concerned by the contribution of companies to the local economy, mainly on employment and workforce training, but also on the taxes and duties paid by them to the local budget. The environmental movements and those on consumer protection are also interested on the consequences of the activities of the companies (the anti-pollution policies promoted by the companies, the justification of price increases, the quality - price ratio for the goods and serviced offered for sale).

Conclusions

In conclusion, one can note that at least in theory, in the accounting information transparency outweighs the discretion to most users. The question that naturally arises after such a conclusion is: Why is it the access to accounting information so cumbersome in Romania?

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Accounting and Legal Aspects regarding the Online Romanian Crowdfunding Platforms' Operations

C. Nicolaescu, D. Tăgăduan

Cristina Nicolaescu

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Diana Tăgăduan

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Abstract: The present paper aims to detail the law and the accounting aspects related to the platforms of participative funding running. Even if, the crowdfunding, as a funding method, is internationally used more and more often and for a certain period of time, it represents a new concept in Romania. In principle, the crowd funding or the participative funding, as the term has been assumed in Romania, represents the funding of a project elaborated by an individual or by a legal entity, by any interested person. The operations unfold using online platforms, which connect the investors and the projects' developers, requesting a commission in exchange for this service.

Key words: crowd funding, online platform, accounting aspects.

Introduction

In the present article, we propose to present some case studies on crowdfunding operations. Please note that the case studies are hypothetical and the accounting and tax approaches of the case – studies represent the opinion of the authors of the article, given that now, in Romania, the functioning of crowdfunding is not regulated.

Research issue

The studies will analyze the impact of operations both at the level of the companies that own online crowdfunding platforms as well as at the level of the companies that benefit from the amounts raised through this way of financing. As a result, we will not consider the situations in which the projects are of social, humanitarian nature and regard foundations, associations and other non-profit organizations.

Results and discussions

Because in Romania at the level of 2016 there is no legislation, which specifically regulates the activity of crowdfunding, we will use below the definitions, notions and legal basis proposed by the draft law regarding the development of crowdfunding from September 2015.

After trying to specify the object of the Law (which is not very clear if it is about crowdfunding as the title of the law says or about the functioning of the online platforms of crowdfunding) and the definition of the main terms. The project presents the features of crowdfunding.

From this presentation, it follows that we are talking about direct investments made on request of project developers. In order to be treated as crowdfunding, these investments must meet certain features:

- The investors expect to make a profit from the investment of capital;
- The projects are initiated by the project developer who is a legal person;
- The funding is meant to a specific, clearly defined and limited project;
- The funding is made by one of the forms specified by the law.

The draft law further does some other clarifications regarding the conditions that must be met by a legal person to be able to obtain an online crowdfunding platform and the registration requirements of these platforms by the Authority for Financial Supervision. These requirements refer both to the company that has to prove that it is capable from the logistic and financial point of view (the minimum capital is of 25.000 Euros) to ensure the operation of the platform as well as to the moral probity of its owners.

The draft law lists the forms by which the crowdfunding of projects can be implemented, namely:

- Issue of securities (shares) or bonds (in case of joint stock companies);
- Issue of debt securities, which give the investors the right to charge interest.

As a consequence, those who invest in projects financed through an online platform can either become associates / shareholders of the company that proposed the project, or become creditors who apart from the sum they invested they can also receive an interest.

It can be seen, that the draft law refers only to two of the four forms of crowdfunding which appear on international level, namely crowdlending (ie Loan-based crowdfunding) and crowdinvesting (or Equity - based crowdinvesting), without including crowddonating (namely Donation-based crowdfunding) or reward-based crowdfunding.

The draft law also limits the maximum amount collected for a project through crowdfunding platforms at the equivalent in lei, at the exchange BNR rate of the day of posting the project, to 1 million euros.

Case study

We take into consideration the Company Platform S.A. which registers as crowdfunding platform, receiving the consent from the Authority for Financial Surveillance to operate online operations.

The main services offered by the platform are:

- Receiving and publishing on the platform the financing projects;
- Ensuring the link between the potential investors and project proponents;
- Collecting the amounts from the investors and transferring them to the final project developer if the projected amount is raised or returning the amounts to the investors if the desired amount is not raised (the platform applies a policy of “all or nothing”, which means that only those projects for which the full amount is raised will be financed).

For these services, the platform charges a commission from the amount collected, which differs depending on the complexity of the services it offers, being higher when funding with issue of equity securities.

In addition to these services, other services are offered against payment, such as assistance and support for making publicity to the projects, etc.

S.C. Mobila S.A. is a profitable company, with a strong economic growth in recent years, which has expanded into new markets and wants to open new factories in another location. Because besides the desire to invest on a large scale, the company also intends a restructuring of the capital by coping new shareholders, one has chosen as a way of funding the crowdinvesting or Equity-based crowdinvesting. Another reason, for which the two shareholders of the company have decided to seek crowdinvesting and not to seek a small number of persons to purchase the newly issued shares, is that by coping a large number of shareholders, each with a small financial contribution, they will keep the control over the business.

The representatives of S.C. Mobila S.A. made the necessary analysis and concluded that a capital increase by 500.000 Lei would ensure the necessary resources for expansion without the old shareholders to cede the control over their business.

The next step was to prepare the necessary documentation, which involved both accounting documents, especially financial reports from the last years, but also other information about the company that might be relevant to the potential investors. In order for these data to attract as many investors as possible for the project, they were elaborated in a more accessible and attractive form.

The representatives of the platform have checked the veracity of the data submitted by S.C. Mobila S.A. and decided to place the application for funding on the platform. With the end in view, the platform made the information available, consisting of: general description of the business, presentation of the shareholders, managers and other decision makers within the company, presentation of the financial situation, the structure of the capital and debts, etc. Considering that, the form of funding was the one of Equity – based crowdfunding, an important component of information was the description of type, class, and way of registering the offered equities as well as of the essential features and risks associated to the issuer of shares and of its guarantors and the situation of the possible disputes.

Another important category of information for this type of funding refers to the description of rights related to the issued equities, the way of exercising them, the convertibility of the equities as well as any limitations of these features, including of the right of sale and redemption. The period of the funding campaign was set at 30 days.

Due to the prior advertising campaign made by S.C. Mobila S.A. in the real and virtual business environment, when launching the project on the platform, the potential investors already knew it so the raise of the amount was completed within 20 days.

The general procedures for issuing the new shares and allotting them to the investors will be made by the funding platform. The commission charged by the platform for its services is of 10% from the accessed amount.

Being an equity – based crowdfunding, the general operations are:

- a) At S.C. Mobila S.A. : guarantee deposit of 5%; issue of new shares; receiving the amounts; receiving the invoice issued by the platform for its services; paying the invoice:
- b) At the funding platform: receiving the guarantee; raising the amounts from the investors; transferring the amount to the developer; invoicing the services; cashing the equivalent value for the services.

Registration of operations in the developer's accounting

Since the amount required to finance is of 500.000 Lei, the deposited guarantee will be of 25.000 Lei and supposes the transfer of the amount of 25.000 Lei from the account of S.C. Mobila S.A. into the account of the funding platform. Being a guarantee, it will be recognized in the accounting of S.C. Mobila S.A. as a short-term debt and will be registered in a distinct analytical of 461 account. "Various debtors". Under these conditions, the accounting formula of the operation will be:

$$\mathbf{25.000} \qquad \mathbf{461.0x} \qquad = \qquad \mathbf{5121} \qquad \mathbf{25.000}$$

The chosen form of funding being that of equity – based crowdfunding, it will be registered the issue of new shares in the amount of 500.000 Lei:

500.000 456 = 1011 500.000

When cashing the amounts in the bank account, the debt towards the new shareholders will be redeemed:

500.000 5121 = 456 500.000

And at the same time, the transformation of the subscribed unpaid capital into subscribed paid-up capital:

500.000 1011 = 1012 500.000

The repayment of the guarantee deposited at the beginning of the project in sum of 25.000 Lei is going to be registered:

25.000 5121 = 461.0x 25.000

For its services, the platform issues an invoice. Since the amount collected within the project was of 500.000 Lei and the commission charged by the platform id of 10% of this amount, the invoice will be of 60.000 Lei from which 50.000 Lei the value of the services and 10.000 VAT:

50.000 628 = 401 60.000
10.000 4426

Paying the invoice

60.000 401 = 5121 60.000

The registration of operations in the accounting of the funding platform

The first operation made by P.F.P. will be cashing the guarantee of 5.000 Lei deposited by the developer. As the amount does not belong to it, the platform will register the amount as a short – term debt, in a distinct analytical of 462 account “Various creditors”

$$5.000 \quad 5121 \quad = \quad 462.0x \quad 5.000$$

For conducting the operations regarding the funding project of the developer S.C. Cuptorul de Aur S.R.L., the funding platform opens a collecting account (C.C.) in a bank in Romania, where the amounts raised from the investors within the 20 days of the funding campaign will be registered:

$$100.000 \quad 5121 C.C \quad = \quad 462.0x \quad 100.000$$

After the whole amount is raised, it will be transferred in the account of the project developer S.C. Cuptorul de Aur S.R.L., refunding the guarantee deposited by it:

$$\begin{array}{rclcl} 100.000 & 462.0x & = & 5121 C.C & 100.000 \\ 5.000 & 462.0x & = & 5121 & 5.000 \end{array}$$

The funding platform invoices the services carried out towards S.C. Cuptorul de Aur S.R.L. (namely the commission of 6% applied to the drawn amounts):

$$\begin{array}{rclcl} 7.200 & 4111 & = & 704 & 6.000 \\ & & & 4427 & 1.200 \end{array}$$

And cashes this amount in its running account:

$$7.200 \quad 5121 = \quad 4111 \quad 7.200$$

Cashing the amounts from the project developer representing the credit rates and the interests and their transfer towards investors depending on the deposited amounts will generate the same type of accounting operations as cashing, namely transferring the initial amounts when financing the project (through accounts 462.0x “various creditors” and 5121 C.C. “Bank accounts in Lei”).

From fiscal point of view, the operations carried out by the funding platform will generate taxable incomes from services, registered when invoicing as well as VAT collected on the income.

As for the other forms of crowdfunding, namely reward-based crowdfunding and crowddonation, we suggest the following registrations.

In the case of reward-based crowdfunding the advantage is that the developer has the marketing ensured for some of its products, the financiers build an initial market with the opportunity of expansion.

Under these conditions, the amounts received from the financiers (through the means of the platform) will be registered as advance from the clients:

5121 "Bank accounts in lei" = 419 "Creditor clients"
4427"Collected VAT"

From this registration one can see that one disadvantage of the method is the VAT collection when cashing the amount of money, as the Tax Code provides (art. 282, paragraph 2, letter b), VAT which is a temporary debt to the state budget, which means, either a reduction of the amounts which remain available for the project developer or requesting a higher amount, which includes the VAT, which makes the funding more difficult.

After carrying on the production flow, final products are obtained and these are delivered and financed to the financiers, beneficiaries of the products:

4111 "Clients" = 701 "Income from selling final products "
4427"collected VAT"

Simultaneously the advance and the VAT are regularized.

419 "Creditor clients" = 4111 "Clients"
4427"Collected VAT" due to the advance in red (with minus)

When funding through crowddonation, when the amounts collected are transferred by the platform in the account of the project proponent, the income from donations are recognized.

5121 "Bank accounts in lei"= 7582 "Income from the received donations "

From fiscal point of view, the income from donations will be taxable while the recipient is a company, so it has a profit-making activity.

Conclusions

From the presentation of the features of crowdfunding, which is intended to be the equivalent of the crowdfunding operations in Romania, it follows that the online funding platforms existing nowadays in Romania (Crestemidei.ro, Kazuu.ro, Multifinantare.ro, PotSiEu.ro, We-are-here.ro, etc.), the majority of which are non-profit organizations and mainly support social and/or humanitarian projects, and the beneficiaries of the mounts are natural persons, do not fall into this category.

Another conclusion is that the actual draft law regarding the crowdfunding is far too restrictive, as imposing drastic conditions both to the companies that will fund the online funding platforms as well as to the possible developers, project proponents. Given that this form of funding is seen worldwide as an easier, and generally cheaper form of funding, it is obvious that the way in which the legislation of this activity will not be incentive at all for the companies interested in it.

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Digital Value Generation in the 4th Industrial Revolution

A. Horváth

Attila Horváth

Budapest Metropolitan University / BIG FISH Payment Services Ltd.

Abstract

The fourth industrial revolution generates thorough changes all over the economy. The transition to this new reality of the digital industry is in full swing all over the world: approximately one third of companies are already measures the digitization as high, and this level is expected to rise on average from 33% to 72% in the next 5 years. (Duin-Geissler, 2016). Cyber-physical systems, cloud computing, the excessive use of data analysis and big data makes it possible to create new kind of business value at every stage of the economy. E-business and online business models also have to evolve to keep up with the changes and the possibilities. The following article presents some typical key areas of business where the digitalization, the use of AI and other basic elements of industry 4.0 can generate business value, save costs and resources for small and large businesses alike. The topics of dynamic pricing, automatized marketing campaigns and AI-based creative designs are presented through mini case studies, analysing the costs and outcomes of the use of these modern examples of business value generation tools. The paper presents the above topics with research data and numbers, proving how AI and robots will really take jobs even in business and creative positions.

Keywords: Industry 4.0, industrial revolution, dynamic pricing , AI, online, digital, value, e-business.

Introduction

There is more to Industry 4.0 than its technical dimension. Technologies like factory virtualization, smart and intelligent machines, the IoT, the cyber production system, 3D technology, robots determine the debate. Many are available already or emerging. Companies have launched pilot projects in which they try to embed these technologies in their current manufacturing process. Few, however, have genuinely exploited their potential to the full and implemented new models.

Retail e-commerce sales worldwide were 2290 billion US dollars and are expected to rise to 2774 billion in 2018, according to (Dobрева, 2018). Thus, global e-commerce sales are predicted to show 20% growth, which is a huge number for business and certainly a steady trend with no signs of decline. (McNair, 2018)

Same steady growth goes to the share of e-commerce when it comes to its global share of retail – from 10.1% in 2017, it jumps to 11.6% in 2018 as predicted.

1. Dynamic pricing

Sophisticated online retailers are using dynamic pricing models, which are real-time price adjustments based on market demands, consumer behaviors, competitive insights and other data centric factors, coupled with the explosion of smartphones to steal customers while they are shopping in store.

Showrooming, the practice of comparison shopping on a smartphone while in-store, is up 400% over last year. Google is the #1 way EU consumers compare prices on their smartphones at physical stores, but local price comparison sites and local market leader, reference e-tailers, like Amazon, are also very important platforms for this phenomenon.

Showrooming is occurring substantially across all income levels and retail categories, even those often assumed immune from it, such as auto parts. Additionally, a price difference of just \$5 in many cases can sway the purchase decision to the online competition.

70% of adults 18+ now have a smartphone, according to Ecommerce Europe report 2018. Studies finds 58% regularly showroom and buy e-tailer products while in brick-and-mortar stores from their smartphones or go home and buy them online.

They're choosing competitors' products on their smartphones while in-store. The numbers are quickly growing as smartphone penetration continues its steady rise.

Customer shopping behaviors have fundamentally changed. The combination of smartphone use and savvy e-tailer tactics is enabling customers to work around these traditional retail strategies: special sales, exclusive merchandise, unique SKU numbers, and one-of-a-kind experiences and services.

That's because consumers are being trained to look past exclusivity and service by e-tailers that have the ability to offer similar items at a much better prices with personalized service and experience that most consumers rate as good as brick-and-mortar stores.

Some good news for brick-and-mortar retailers: a silver lining was uncovered in this study. The findings clearly show when a retailer matches e-tailer prices with rebates, which provide healthier margins than instant discounts, the majority of consumers will shop and buy from the store more often, across all incomes levels and retail categories.

To keep up with these trends and provide a continuous competition e-tailers have to keep up with pricing, so that they appear as the cost-effective alternative in both price comparison services and showrooming situations described above.

Amazon.com, for example implements more than 2,5 million price changes every day, compared with just over 50,000 total price changes that were made by brick-and-mortar retailers BestBuy and Walmart throughout the entire month of November. Amazon.com has increased its number of daily price changes ten-fold over the last 12 months.



Figure 1: Amazon.com daily price changes 2016-2017
Source: Mason, 2016

The extent of Amazon.com's daily price changes is even more significant when compared with the number of daily price changes implemented by brick-and-mortar retailers Walmart and Best Buy. During November, Best Buy made a total of 52,956 price changes and Walmart a total of 54,633 price changes, highlighting the massive price advantage that Amazon has over other retailers – and demonstrating why retailers need to be monitoring their online competitors' prices every day in order to deliver the most competitive price on the market and avoid losing out on sales.

The number of price changes is only going to increase as the retail landscape becomes more competitive, and so it's impossible for any retailer to monitor this number of price changes manually. To understand where they stand against their competitors' prices and avoid losing out on sales, retailers need to monitor the online competitors' prices on a daily basis. This can be done by web-crawlers and AI-based pricing features. The large players like Amazon, Tesco or Walmart have their own resources and expertise to do this, but smaller retailers does not. For them many, cloud based price monitoring and re-pricing solutions have emerged in the past few years, that provide similar services in a SaaS model, like Profitero.

2. Design by AI

Many would think that, creative jobs, like graphics designers are safe from replacing these positions with AI based solutions, but it seems, even here it is not the case.

A designer can really create very nice, lively and attractive banners and carousels displaying featured products and sales promotions. The hypothesis is that a professional design maximizes marketing effectiveness as well. But according to recent studies, this is just not the case.

The reason is: the customers are different and it seems that a more simple, but personalized solution is much more effective than one universal, but very professional design.

The AI is capable of extracting the product picture, price, reduction percentage and some key product description data from the product database of the webshop.

The AI then assembles several variations of sales banners and start publishing the different variations on the merchant website, continuously measuring the effectiveness, by monitoring the click-through-rate (CTR) of the given variation. By this A/B-test methodology the AI learns the preferences of the shoppers at the given webshop, with additional segmentation, and demographic data these tests can be run on the different customer segments as well, to find the optimal and most effective layout for everyone. Even a fully personalised solution is imaginable, when the test points out the most effective layout from customer to customer, but of course this needs a stable and frequently returning shopper basis.

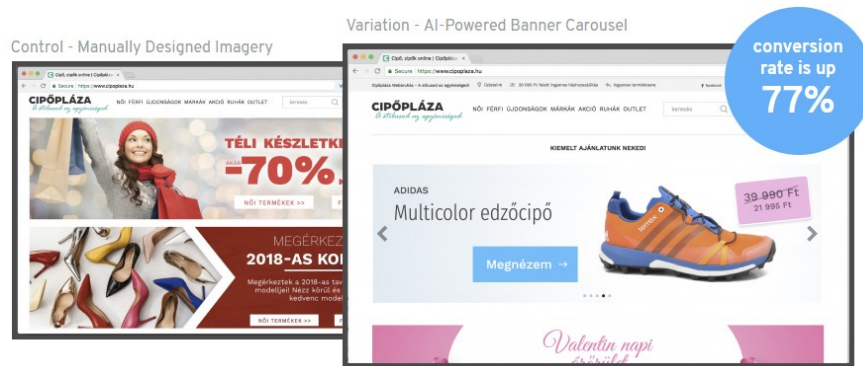


Figure 2: Human vs AI designed carousels on cipoplaza.hu
Source: Jenei, 2018

The simple, but personalized banners have increased CTR and conversion dramatically.

While images or sliders take up most of the page's space, merchants see low click-through rates. Placing sticky products into banners is essential but marketers simply don't have the time and resources to get those banners designed, updated and tested. In most cases these offers aren't replaced and varied too often.

Having well-designed banners at the storefront is essential but it seems to be a hassle for most marketers due to the lack of resources. Automated solutions weren't good enough to be presented at the most prestigious place of online stores. Until now. The AI can design promotional banners not as neat and detailed as a designer does, but for any number of products and in hundreds of variants at the same time.

Revenue can be increased even more when automated banners are embedded not only into the front page but into product and category pages as well. The more pages the banner appears on, the higher the ROI. Visitors are more likely to click when they see a relevant offer that has a delightful, high contrast design with a clear, visually striking call to action (CTA). Continuous experimentation with banner elements like CTA copy, colour and layout variants have an impact on conversion rates. The AI fully automates multivariate testing and it runs the best converting version of each product image.

Example case study

Originally, Egeszsegbolt.hu had hero banner carousel on their front page with an average CTR of ~2%. After replacing those banners by simply embedding a code-snippet in their site, Product Hero's AI delivered banner variants and optimized them for best CTR.

The variation with dynamic product images drove generated ~3x more clicks to actual product pages than previous versions.

The experiment goal was to significantly increase banner CTR and we allocated 50% of the site's traffic to the test over a period of 14 days.

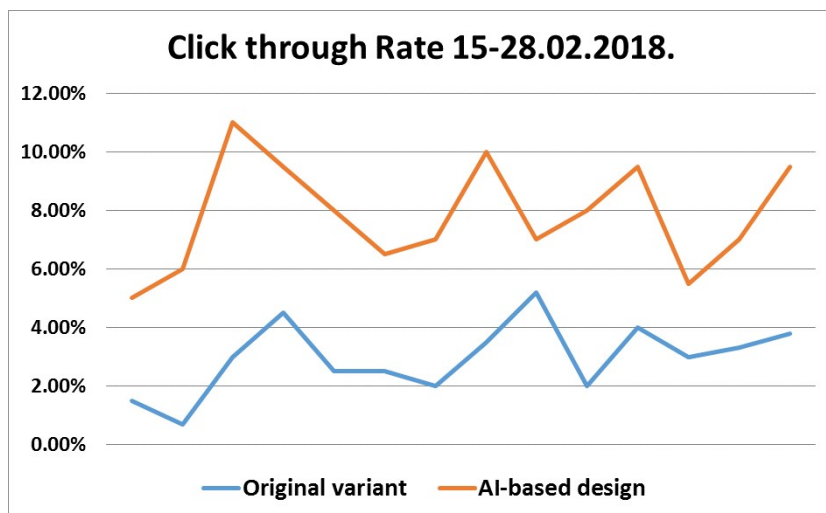


Figure 3: Click through rates of the original and AI designed carousel over a 2 week period
Source: Jenei, 2018

3. Online marketing

To create an effective campaign under Google for example, careful preparations are needed. The proper keywords have to be chosen carefully, or else there will be a large proportion of irrelevant clicks for the ads, which will deteriorate ROI significantly. Then the text of the ad have to created.

After the campaigns has started it requires regular monitoring, to watch which keywords + text variants generate the highest CTR/conversion, switch down the less successful variants, and maybe experiment with new ones for an even higher effectiveness. This is an extremely time consuming process, especially for small entrepreneurs, which lack the expertise and specialized human resource for the job.

Advertisers need to decide between Google's automation, adopting a manual approach, or using alternative automation to achieve the best results.

There is a whole load of machine learning features to be discussed in relation to this: Dynamic Search Ads, Universal App Campaigns, Google Attribution, Smart Display, Expected CTR – the list goes on. (Vallaey, 2017)

Data driven attribution models use big data and machine learning to make some very specific predictions about what combinations of touchpoints are likely to lead to a conversion.

It uses machine learning to find correlations between the millions of unique ways in which a consumer's path could lead to a conversion and it assigns weights to the importance of each possible step. It can then present advertisers with a custom attribution model that reflects the real world as closely as possible.

Conclusion

The changes sourcing from the 4th industrial revolution will not spare even the creative or knowledge based industries. It seems that even creative design, the intuition and experience to determine the proper pricing, or to write convincing ads can be replaced with machine learning easily, where and endless series of variations and testing them on the audience can generate similar or even better performance, with an even more personalized user experience.

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Analysis of Agricultural Trade Relations between some East European Countries and the United Kingdom

M. Vásáry

Miklós Vásáry

Budapest Metropolitan University, Institute of Business Studies

Abstract

As a result of a longer preparation process, 51.9 percent of voters voted in the United Kingdom on 23 June 2016 in the form of a referendum to leave the European Union. Although the negotiation process has begun, about a number of decisive points and principles - following the agreement of the negotiators for a post-exit process - have not been decided at the beginning of 2018. On March 27, 2017, Tim Barrow, Ambassador of the United Kingdom of Great Britain issued a letter of formal withdrawal to Donald Tusk, President of the European Council. Thus, the negotiation process on exit has begun. After the announcement, it was almost a year before the European Commission presented on 19 March 2018 the draft agreement about the exit. Following the United Kingdom's exit from the EU on 29 March 2019, during a transitional period of nearly one and a half years, until 31 December 2020, it will be given the opportunity to agree on the nature of the post-exit bilateral trade relations. According to current knowledge, it is clear that there will be more macroeconomic difficulties facing the UK. Since the vote has passed the pound was weakened, inflation has increased and the economic growth has slowed down. Agricultural affairs will be one of the utmost importance, because the second

most legislation concerns, after the external relations 3172 pieces to this area. (Maia, 2017) UK present is one of the most significant agriculture within the EU. In 2016, farmers cultivated 17.4 million hectares, of which 3.1 million hectares were grown on cereals. 1.9 million cattle and 4.9 million pigs and 33.4 million sheep and goats were held and 466 thousand people were employed in agriculture. (DEFRA, 2017) The sector produced 5.9% of total domestic GDP. More comprehensively, the UK agri-food industry produced a total gross value added of 109 billion pounds, representing 6.6% of the national value. In addition, the value of food, feed and beverage exports grew by 1.6 billion pounds (8.7%) to 20.1 billion pounds during the year 2016, while the import value of the same product range was increased with 2.5 billion pounds (6.3 %) 42.6 billion pounds. Thus, the trade deficit fell by 4.2% to 22.5 billion pounds. With these results, surprising but significant agri- and food trade is needed to meet internal consumption. In the case of foods, the United Kingdom can only produce 61% of its needs. It is therefore important to systematize trade flows and to point out the expected impacts to map the expected consequences. Within this framework, the overall aim of the United Kingdom's foreign trade situation and, in particular, the sectoral features of the agri-food industry, including the mainstreaming of agricultural trade, is to be found. In addition to the general characterization, particular attention should be paid to the extent to which East European countries are already able to trade with the UK, to what extent and by what kind of goods and what prospects can be expected from this.

Material and methods

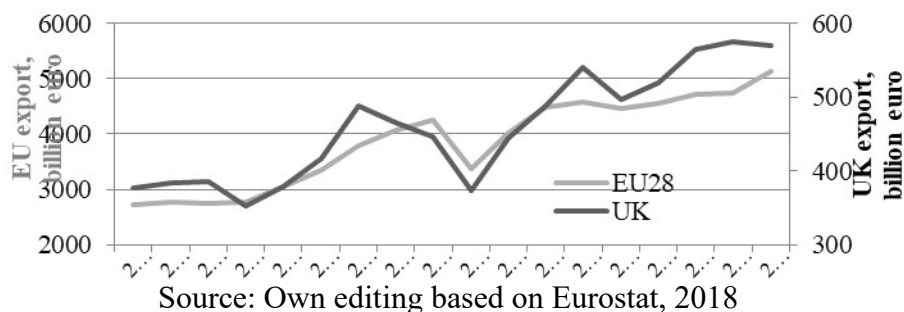
In order to present foreign trade processes, it is appropriate to start from the database of the European Union Statistical Office, EUROSTAT. This will allow processing of the values of the effects that appear in each Member State under a harmonized procedure. And the extent and timing of bilateral trade in goods can be quantified too. Prior to presenting the results, however, it is necessary to record some fundamental conditions:

- For country-by-country data, breakdown by sector and product ranges is based on the SITC (Standard International Trade Classification) and the freight rates available in the harmonized system.
- Between the EU and the candidate countries has been made easier the trade flow during the accession negotiations. Therefore, it is necessary to illustrate the results – independent from the connections – related base year 2000.
- Within the territorial delimitation, it is important to note that the countries that have joined the post-2004 countries have been investigating this paper. On this line, however, the geographically specific Malta and Cyprus should be removed. It should be noted that the situation in Malta is particularly peculiar because of the historical connections. As a result, a significant part of Malta's imports comes from UK: in their case, total bilateral trade reaches € 1 billion (2017), which is about 9% of Maltese GDP. (EUROSTAT, 2018)
- During the examination of the trade process between the United Kingdom and other Member States will not take into account the distorting effects of VAT fraud on the internal market or the illegal trade in certain sectors.
- In certain commodities, it should be accepted by intra and extra EU trade that values in many cases do not indicate that the country of entry or exit and the country of destination are the same. A loading site will be taken into account on the basis of the statistical register, although it will be further transported to other countries the internal market. This results in the role and significance of some major trading countries becoming unduly overvalued.

Results

The trade volume between the United Kingdom and other EU member states is very significant, but the EU Member States can show a surplus. It is clear that, the importance of bilateral trade in the United Kingdom is much greater. In 2014, the EU's GDP was 4% and 19% of the similar value in the UK trade (House of Lords, 2017a) It can be concluded that both the EU and the United Kingdom had a significant volume of trade increase over the period under review. (Figure 1)

1. Figure: The evolution of United Kingdom and EU commodity exports, EUR billions 2000-2017

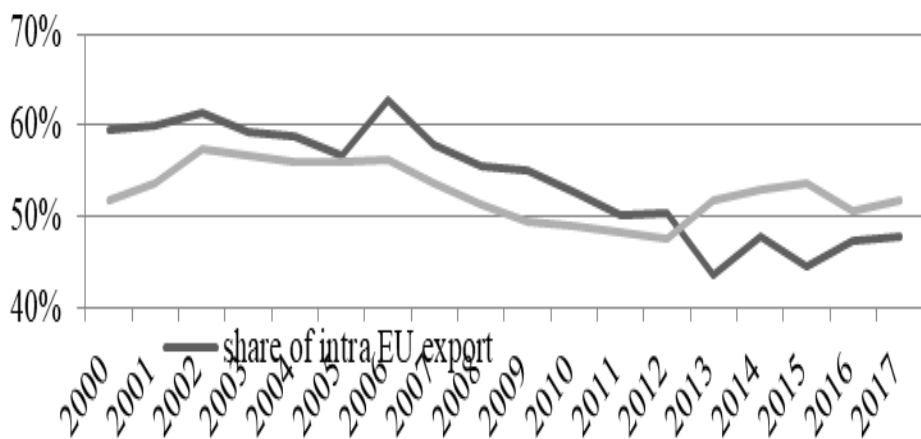


It can be seen from the data that, although the UK share of the EU export decreased from 11% to 14% by the end of the period, it was still able to increase the total turnover by 50%. In the case of the whole EU, however, growth was well over 88% over the same period. The figure also shows that the EU's trade expansion has had a strong impact on British performance and has stimulated it.

It can be stated that exports to the Union were in a decreasing and stagnant tendency in this millennium. (Figure 2) Even though the proportion of total freight traffic in the EU relative to the EU is even more pronounced, it has also moderated somewhat. Thus, despite the change in imports during the period in 2017 (51.8%), the share of imports was equal to the value of 2000 (51.9%), while the share of total exports declined sharply.

As in 2000, 59.4% of goods flowed into the EU (intra EU), this was down to 47.8% because of a 19% decline at the end of the period. The causes of the process should be sought in the strengthening of partners and markets outside the EU, leading to more effective (EU) trade policy agreements, the strengthening of the economy of earlier colonies, the exchange rate effects or the rise of globalization.

Figure 2: Change the trade turnover between
United Kingdom and EU, %, 2000-2017



Source: Own editing based on Eurostat, 2018

After seeing how British trade has developed within the Union, the effects of the East and Central European countries (CEEC) must be looked at more closely. But before that, it is worth exploring the share of countries in EU exports. Regarding total commodity turnover, the share of CEEC countries is not significant. Both in value and quantity during the period under consideration, Germany represented nearly 20% of the total, while Eastern Europe in 2017 together reached both 14% of the EU value in both value and volume both for exports and imports. The share of UK in exports was nearly 7%, both in value and in volume, while imports represented 11% of total EU imports.

Table 1: Evolution of trade in Central and Eastern European countries and the UK in the European Union (2000-2017, millions of euros, millions of kg)

	2000				2017			
	export		import		export		import	
	value	quantit	value	quantit	value	quantit	value	quantit
Total EU	2	18,18	2	28,29	5	25,74	5	36,71
UK	309,04	1,97	376,85	2,09	393,89	1,60	570,11	2,92
Bulgaria	5,25	0,16	7,08	0,19	26,58	0,28	30,17	0,28
Czech	31,50	0,41	34,62	0,47	159,45	0,68	143,37	0,74
Estonia	3,44	0,09	4,61	0,06	12,81	0,15	14,73	0,11
Croatia	4,82	0,12	8,60	0,12	14,17	0,18	21,89	0,19
Hungary	30,52	0,19	34,83	0,31	100,56	0,45	94,99	0,51
Lithuania	3,85	0,10	5,68	0,13	26,43	0,30	28,76	0,32
Latvia	2,02	0,09	3,47	0,05	12,24	0,20	14,87	0,13
Poland	34,37	0,64	53,08	0,71	204,42	1,09	203,98	1,53
Romania	11,27	0,19	14,24	0,23	62,61	0,41	75,56	0,50
Slovenia	9,50	0,08	10,99	0,12	33,98	0,22	31,84	0,24
Slovakia	12,81	0,20	13,82	0,30	74,87	0,41	73,68	0,52
CEEC total	149,37	2,27	191,02	2,68	728,11	4,37	733,85	5,07

Source: Own editing based on Eurostat, 2018

With regard to agri-food products, the share of CCE countries is already much higher. It can be seen that the role and the share by agricultural and food products Poland, the Czech Republic and Hungary are the most important in the group of countries. Clearly it appears that the respect of all agricultural products increased significantly in value in relation to intra-EU trade. Most of the countries exported significantly during the period under review. In the case of Latvia (21 times), Romania (16 times) and Lithuania (10 times) exports to other Member States have grown remarkably. (See table 2.) It is also clear that the quantity is more dominant than the countries surveyed, as all the goods export is a major part of agricultural and food products. In this regard, 33% in Romania, 30% in Hungary, 28% in Bulgaria, share of agricultural and food products from total commodity exports. This is likely to be the case for low-processed bulk goods, can be traced back to the proportion of cereals.

Table 2: Evolution the trade of agricultural and food products in Central and Eastern European countries and UK in the Union (2000-2017, millions of euros, millions of kg)

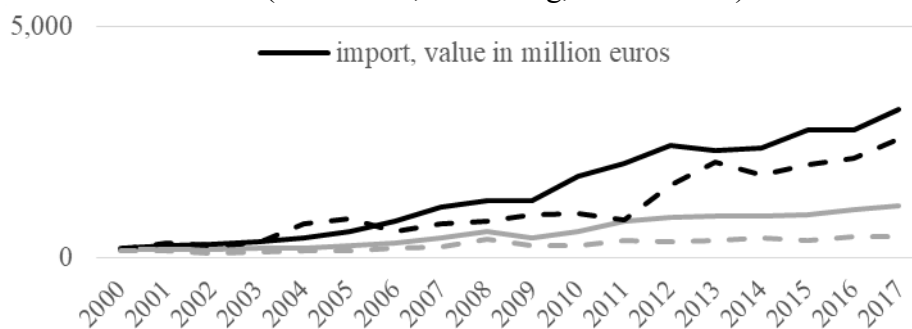
	2000				2017			
	export		import		export		import	
	value	quantity	value	quantity	value	quantity	value	quantity
Total EU	196,19	2,49	198,02	2,49	466,35	3,97	452,64	4,12
UK	16,20	0,13	27,98	0,24	25,28	0,13	51,93	0,39
Bulgaria	0,48	0,01	0,34	0,01	3,14	0,08	2,77	0,03
Czech Republic	1,16	0,04	1,61	0,03	6,69	0,14	7,74	0,06
Estonia	0,19	0,00	0,37	0,01	1,11	0,02	1,44	0,01
Croatia	n.a	n.a	n.a	n.a	1,78	0,03	2,72	0,03
Hungary	2,11	0,04	0,95	0,02	7,28	0,14	5,01	0,04
Lithuania	0,42	0,01	0,50	0,01	4,38	0,07	3,35	0,03
Latvia	0,11	0,00	0,40	0,01	2,42	0,04	2,46	0,02
Poland	2,71	0,03	2,99	0,06	26,08	0,21	16,68	0,22
Romania	0,29	0,01	0,93	0,02	4,93	0,14	6,60	0,08
Slovenia	0,34	0,03	0,62	0,01	1,71	0,04	2,52	0,04
Slovakia	0,38	0,01	0,73	0,01	2,46	0,04	3,92	0,03
CEEC total	8,20	0,18	9,44	0,18	61,98	0,93	55,20	0,60

Source: Own editing based on Eurostat, 2018

n.a.: not available

Specifically, with the UK, the development of bilateral traffic is shown below.

Figure 3: Central and Eastern European countries and UK agricultural sales (2000-2017, million kg, million euro)



Source: Own editing based on Eurostat, 2018

It is clear from the data that the countries surveyed are basically importing from the UK and, at the end of the period, only one third of the import value could be exported. It can be seen that, after accession, substantial growth has begun but a significant increase occurred only after the crisis in 2008. During the 18 years under review, by 2017, the value of imports increased by 6 times, and imports increased by 6 times. Similar quantities can also be presented for volume: import volume increased by 14 times, exports increased by 2.8 times. This is not surprising, given the considerable distance between the countries surveyed.

Table 3: Evolution the trade of agricultural and food products between Central and Eastern European countries and UK (2000-2017, millions of euros, millions of kg)

	2000				2017			
	export		import		export		import	
	value	quantity	value	quantity	value	quantity	value	quantity
Bulgaria	10,7	5,2	28,3	24,5	68,6	46,0	66,0	132,0
Czech Republic	27,2	14,4	28,2	27,9	148,0	48,9	169,4	111,4
Estonia	10,0	4,8	0,2	0,1	31,0	13,5	11,4	35,7
Hungary	17,5	15,6	48,8	29,1	62,2	19,5	197,3	133,2
Lithuania	7,7	13,8	9,0	9,4	32,0	12,3	137,6	156,0
Latvia	40,0	16,3	0,9	2,7	191,9	55,5	61,7	257,1
Romania	7,5	2,3	7,4	21,7	85,0	37,5	225,2	425,7
Poland	49,3	76,0	71,6	62,0	464,6	194,1	2255,2	1292,6
Slovakia	9,0	6,1	2,4	4,9	27,6	11,6	74,2	26,0
Slovenia	5,9	3,4	2,7	1,4	20,9	6,2	20,3	7,2
CEEC total	184,6	158,0	199,6	183,6	1131,7	445,2	3218,2	2577,0

Source: Own editing based on Eurostat, 2018

The role of Poland in determining the British relationship. By 2017, the dominant role of both exports and imports has evolved. It accounts for 44% of the group's export value, while the second is Latvia only 17% and the Czech Republic only 13%. A similar order is displayed. (Poland 41%, Latvia 12%, Czech Republic 11%).

Meanwhile, the structure of the imports shows a much more concentrated picture. 70% of the group's total import value and 51% of the total quantity flows in Poland, while the second largest importer Romania imports 7% of total import value which representing 17% of the total quantity. Moreover, it can be seen that trade surpluses can be detected in Lithuania, Estonia, Bulgaria and Slovenia. (Table 4) The trade balance for the other agricultural and food products in the other countries is negative. Only Lithuania and Estonia have a significant export-import ratio, which, although 18 years ago, was very high (Estonia: 66.6, Lithuania: 42.5), now significantly reduced (Estonia: 2.7, Lithuania: 3.1).

Table 4: Cover ratio and trade balance the trade of agricultural and food products between the Central and Eastern European countries and UK

	Cover ratio		Trade balance	
	2000	2017	2000	2017
Bulgaria	0,4	1,0	-17,6	2,6
Czech Republic	1,0	0,9	-1,1	-21,4
Estonia	66,6	2,7	9,9	19,6
Hungary	0,4	0,3	-31,3	-135,0
Lithuania	0,8	0,2	-1,4	-105,6
Latvia	42,5	3,1	39,0	130,3
Romania	1,0	0,4	0,1	-140,2
Poland	0,7	0,2	-22,3	-1790,6
Slovakia	3,7	0,4	6,6	-46,6
Slovenia	2,2	1,0	3,2	0,6
CEEC total	0,9	0,4	-14,9	-2086,5

Source: Own editing based on Eurostat, 2018

It can be seen in products that the dominance of food products is being observed today. (Table 5.) While earlier, many agricultural products have appeared in the most important category (e.g. cereals, oils seed) only processed products are dominant. Nowadays, in the UK import the alcohol category is the most important, while for UK exports, meat products are the highest value, if we analysis the CEE trade.

Source: Own editing based on Eurostat 2018

In examini

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Using mutual benefits, all parties were able to significantly increase their commercial activity, and in the case of the whole EU, CEE countries have also gained an increasing role. Regarding the British relationship, it can be seen that, as a result of the common market, all parties increased their turnover in quantity and value, resulting in a significant negative value for the region in the trade balance.

The changing due to Brexit are most exposed to Poland, as they currently account for most of the region's foreign trade turnover. Due to the transformation effects during the scourge, all CEE countries can count on the decline in export turnover and significant transformation. Due to the new British customs system can be expected to a cost increase that is devolve can't be realized for all current export products.

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Income from the Activity of Prostitution Is not Illegal. It Must Be Subjected TO Taxation and Therefore Meritful of Tax Protection

E.M. Piccirilli

Eduardo Maria Piccirilli

Parthenope University

President IUM Academy School, Italy

1. Introduction

In Europe, in the nineteenth century, prostitution policies shifted towards classical regulation, strongly inspired by the spirit of reformism and social rationalization typical of post-Enlightenment. The politics of prostitution regulation took into account both freedom and discipline and tried to establish a balance between the two. It is with the Brussels Regulation of April 18 1844, that a normative trend in the field of prostitutes was inaugurated, with the main objective of subjecting prostitutes to health checks in order to avoid consequent illnesses. Hence, the launch, in Europe, of the so-called current of regulators, lay and generally anticlerical that denounces religious crusades against prostitution and excessive punishment such as torture, marking and flagellation. The prostitutes, who maintained a conduct in line with the limits foreseen by the regulatory legislation, were not subjected to any penalty. Instead, those who violated the law were subjected to moderate and balanced human punishment: short periods of arrest or small fines. This legal approach, the result of a "regulatory" vision, supported the need for administrative and medical control for prostitutes in defence of health, order and public decency.

In Italy the regulation legislation starts in Piedmont in 1855, with the issue of the "Ministerial instructions on prostitution", which subsequently became the "Regulation on prostitution for the city of Turin", thus resolving the confusion created between the general functions of the Police and the new surveillance tasks on the activity of prostitution¹³.

¹³ M. Gibson, *State and prostitution in Italy 1860-1915*, Milan, 1995, p. 39. Regulatory legislation was intended to limit the freedom of prostitutes through special restrictions

The regulatory current in Italy in force up to the Merlin law, was subjected to several regulations to protect and prevent diseases resulting from the activity of prostitution.

With the advent of the fascist regime, however, there was a new regulation of prostitution that was completely and definitively regulated by numerous legislative interventions¹⁴.

The regulatory policy¹⁵ gives way to prohibitionist politics with the entry into force of the law entitled "Abolition of the regulation of

(mandatory registration, vaginal inspection and treatment) that were deemed necessary in order to protect society against the harm that these women could cause to the society.

In opposition to this current, were the so-called "Abolitionists", a movement which started from the criticism against such restrictions on the personal freedoms of prostitutes to accuse the regulation of relegating prostitutes to a second-class citizenship in a country that claimed to be founded on the principle of equality of all before the law. The abolitionist movement started from the assumption that the strict application of the penal code for prostitutes and the submission of the same to laws applicable to all citizens was sufficient to adequately guarantee public order and morality.

¹⁴ Regulations for the prophylaxis of venereal and syphilitic diseases (March 25, 1923); Single text of the laws of Public Security, art. 194-213 (November 6, 1926); Regulations for the execution of the T.U. of the laws of P.S., art. 359-374 (January 21, 1929); Single text of the laws of P.S., art. 190-208 (18 June 1931); Single text of the health laws, art. 291-308 (July 27, 1934); Regulation of the T.U. of the laws of P.S., art. 345-360 (May 6, 1940).

¹⁵ The policy on the activity of prostitution in the Italian legal scenario, in addition to being the subject of strong clerical influence, followed alternating and contradictory phases: from a regulatory policy (Cavour DM Regulation of 15 February 1860, Regulation Crispi RD of 29 March 1888, n 5332, Regulation Nicotera RD October 27, 1891, No. 605, etc., for a greater discussion.), has moved to an abolitionist policy (MT Aciri, Prostitution between deviance and danger, in The other law, 2010. Can be consulted on the website: <http://www.altrodiritto.unifi.it/ricerche/devianza/acri/index.htm>). The abolitionist movement started from the assumption that the strict application of the penal code for prostitutes and the submission of the same to laws applicable to all citizens, was sufficient to adequately guarantee public order and morality. In theory, the abolitionists were carriers of a vast program that promised to significantly transform the relationship between the state and prostitution. They agreed with the regulatory refusal to define prostitutes as criminals; they also shared with their opponents the moral repulsion for the promiscuity of prostitutes. The two analyzes, therefore, diverged because the abolitionists insisted on the assumption that, even if morally deviant, prostitutes deserved full respect for their civil rights, including the freedom to

prostitution and the fight against the exploitation of prostitution" 20 February 1958 n ° 75, better known as the "Merlin Law" from the name of the senator proposer Angelina Merlin, who completely overturned the regulation of the phenomenon of prostitution in force until then, with the consequent abolition of brothels and the introduction of a series of crimes such as the organization and exploitation of the prostitution of others. The original project of the Merlin Law set itself the aim of prohibiting the activity of prostitution houses and any form of cataloguing of prostitutes, both by public security and health authorities. Merlin focused on two points: on the one hand, the arbitrariness of the public security organs and the lack of the possibility of protection of privacy by the citizens; on the other, the woman's right to equality with respect to man and the affirmation, also for women, of personal dignity. The senator wanted to avoid the criminalization of people with venereal diseases and guarantee them those minimum rights that were often trampled on¹⁶.

The legislative process that led to the approval of this law was decidedly long and troubled, it lasted about ten years, due to the heated debates that arose in parliament and throughout the Country that gave rise to the opposition of two opposing sides: on one side the parliamentary right, purely regulatory; on the other, the parliamentary left with an abolitionist matrix. The former argued that only with the existence of brothels could the State defend civil society from the degrading phenomenon of prostitution and the transmission of venereal diseases.

The latter, however, said that with the abolition of the regulation, women could finally be freed from the condition of legalized slavery in which they had lived for many years and that, in relation to the public health problem, the simple introduction of a system of free medical care and sex education programs, would have guaranteed the protection of public health.

exercise any profession, even the morally repugnant prostitution, provided it was practiced in observance of the provisions of the penal code on public and moral order. The abolitionists recommended that the phenomenon of prostitution should be fought not with repressive measures, but through a general change in laws, the economic system, sexual morality and attitude towards women (M. Gibson, *op.cit.*, Page 68)

¹⁶ S. Luzzi, *Health and Health in Republican Italy*, Rome, 2004, p.172

After a troubled process, Italy also ceased to be the European country where prostitution was regulated by law and the State received a regular operating tax from the managers of the brothels¹⁷.

2. Income Produced by an Activity which Is not Subject to Taxation: the Activity of Prostitution

It is questionable whether the activity of prostitutes, is an illegal activity and therefore not worthy of legal protection, or if the activity of prostitutes, even if not regulated as an illegal activity, cannot be considered an activity to be subjected to taxation.

The law of 20 February 1958, n. 75, abolished the regulation of prostitution, closing the brothels and introducing the crimes of exploitation, induction and aiding of prostitution. Prostitution, in itself, voluntary and carried out by adult unexploited women (or men), was not considered illegal, as it was part of individual choices guaranteed by the Constitution, falling within the sphere of inviolable personal freedom (article 13¹⁸). The law still regulates the phenomenon in Italy and considers the activity of prostitution a completely legal activity.

The Merlin law seems to be giving way to a new regulation. In fact, at the Senate of the Republic lies a bill, No. 1201 presented to the Presidency on December 10, 2013, entitled "Regulation of the phenomenon of prostitution"¹⁹.

¹⁷ A huge turnover: the 730 brothels, in which about 3,400 prostitutes worked, produced revenue for the treasury of about one billion lire a year, while for the bawds the revenues were valued at about 14 billion. The State was earning other income, about one hundred million annually, in the form of remuneration for the provision of services, including female workers for health control, calculated as a percentage of the proceeds (P. Locatelli, The Merlin Law, in *The Working World*, July-August 2015. See website: <http://www.avantionline.it/2016/07/la-legge-merlin-mondoperaio-luglio-agosto-2015-pia-locatelli/#.WbathMhJZPY>).

¹⁸ The first paragraph of art. 13 of the constitutional charter states: "Personal freedom is inviolable", which means that it is an inviolable natural right of man not to undergo any kind of coercion or be forced to do a certain thing in the limits and in respect of the constitution.

¹⁹ In the introductory report to the bill, we read that "In the social history of prostitution four ways of regulating it have been followed and intertwined based on the same number of models: 1) prohibitionist / criminalizing, 2) the regulatory one, 3) the

From the introductory report it emerges that "The need to address this issue, to rethink the instruments that regulate it, safeguarding the fundamental principles established by the Merlin law, stems from the evolution that the phenomenon has had, at least in Italy, in recent years. On the one hand, a growing increase in foreign prostitutes, often illegal, forced to accept working conditions that are harmful to them and to the health of others; on the other hand, a growing presence of organized crime in the management of the prostitution business.

abolitionist and 4) the neo-regulationist / decriminalizing one. The first is to prohibit prostitution, both for reasons of public morality, and for reasons of an ideal perspective, aimed at eliminating paid sex considered detrimental to the quality of human relationships and the dignity of the person who prostitutes, historically declared feminine. This is the case of regimes once in force in the former Communist countries and currently in some States of the United States of America, as well as the recent choice made by Sweden which has centralised the protection of female dignity and the protection of the female body from male violence exercised through payment. This system introduces, in fact, the punishment of the client, thus attributing to the State the ethical-pedagogical function of sanctioning male sexual behavior. This is a position that represents a novelty, since historically prohibitionism has always enshrined the behavior of the prostitute, as a female sexual behavior outside of marriage. The second is alternative to criminalization. However, this definition is extremely broad and ranges from the "brothelisation of the brothels" to the legal and economic regulation by the State of prostitution, as is the case today in the Netherlands. The third is the abolition of prostitution as an activity that exploits and mortifies the dignity of the person who prostitutes him/herself. Historically, the abolitionist system does not allow the State to directly manage behaviours related to the exercise of prostitution because, although abolishing the legal framework of the brothels, it does not however reach the prohibition of such behaviour. The fourth involves the removal of any law that penalizes consensual sexual activity between adults in a commercial context. The Commission of Women of the European Parliament in 1990 asked the Member States to decriminalize prostitution to protect the health and safety of prostitutes, underlining that the semi-illegality condition in which they generally operate encourages abuses such as prostitution by force, in degrading working conditions, ill-treatment and other crimes. Prostitute rights movements call for the decriminalization of any aspect of prostitution that interferes with their freedom of movement and association. Moreover, these movements consider that all laws against the exploitation of prostitution harm cohabiting family members of prostituted women and that these laws prevent prostitutes from organizing and working together to protect each other".

Two new variables that have made prostitution more visible, but also more aggressive (in terms of marketing), as well as more dangerous for the people who exercise it, against which citizens' committees have rallied, determined to defend the tranquillity of their neighbourhoods".

Both the law in general and the penal code in particular, pretend to legally ignore prostitution, however they allow its existence, causing effects to a large extent opposed to those that the same law Merlin proposed and allow the exercise of prostitution in the regime of apparent clandestinely, which however has become of evident aggressiveness, to the point of creating serious problems of public order in certain urban or extra-urban areas.

In the current legal scenario, income from the activity of prostitution cannot be treated in the same way as that deriving from criminal activity (theft, robberies, drugs, etc.²⁰), and therefore it is worthy of attention and protection from the 'fiscal order, as legislation tax taxes all that is lawful. Once again it seems that jurisprudence is a forerunner that pushes the legislator, willing or not, to have to regulate the matter.

Those who claim²¹ that the income of prostitution cannot be taxed because it is not appointed in the tax law, does not do justice to

²⁰ However, these incomes deriving from illegal activities, art. 14, paragraph 4 of law 537 of 1993, established that illicit proceeds are considered in any case as different income. According to an authoritative doctrine, "The State, with respect to these proceeds, can and must do only one thing: remove them entirely with the confiscation, with force of criminal law or administrative law, and not make them in some way legitimate with taxation ". In addition, the author "Affirms that the tribute is not even a penalty or an instrument to be used for retaliation or revenge: as you stole, meanwhile pay taxes. And then? What happens to the remaining income? If the State taxes it, it legitimizes it, it cleanses it of its criminal stain "(A. Giovannini, *the fisco King is naked*, Milan, 2015, page 41).

²¹ The Trib Commission. Prov. of Milan Section XLVII, Sec., 22-12-2005, n. 272, maintains that "... the placement made by the Office of the activity among the illicit ones is not reflected in the legal system; in fact, for some time now, prostitution is no longer a hypothesis of crime, for which the provision of art. , according to which "in the income categories referred to in Article 6, paragraph 1, of the consolidated text of income tax shall be understood as including, if classifiable, the proceeds deriving from facts, acts or activities qualifying as a tort, criminal or administrative ". Furthermore, this activity does not fall under any of the other hypotheses set forth in art. 6 T.U. 917/86: "Individual income is classified into the following categories: a) land income, b) income from capital, c) income from employment, d) income from

the tax law as it is not an autonomous system with respect to the other branches of law, therefore not the only source of regulation of the tax company. Moreover, the legislator, subjects a situation to taxation, for revenue needs, for extra fiscal purposes, for the evolution of the tax system, or even through a procedure traced by the case law, believes that it must be worthy of protection from the tax system²².

The reading of the Consolidated Income Tax Law does not provide a unitary definition of income, but it is clear that different income categories are forecast, whose common denominator is the origin, or "from a productive source", thus deferring the specificity and regulation of the same to other branches of law. From this it emerges that the activity of prostitution, which in itself lacks profiles of unlawfulness (unlike the activity of aiding or exploiting it), must be recognized as a nature of income, since the civil law recognizes partial protection of the activity of prostitution, including sexual provision for consideration in the category of natural obligation, "which, if it does not allow the right to action, gives the person who carries out the activity of prostitution the right to legitimately consider the sums received in payment of the performance"²³.

It must be pointed out that, according to constant jurisprudence, a subordinate employment service or a provision of paid services must be regarded as an economic activity within the definition of Article 2 of the EC Treaty, provided that the activities carried out are real and effective and not such as to be presented as purely marginal and ancillary.

self-employment, e) business income, f) other income (10) ". In the light of the current system, prostitution proceeds cannot be technically considered income; therefore, they are not subject to tax and should be considered as consequential.

²² "Without dwelling on the interweaving of the history of tributes and the history of humanity, it is helpful to highlight how the evolution of the tax system reflects the profound changes in socio-economic structures as well as in institutional politics, also affected by interests, sensitivity, hopes and economic and financial conditioning "(AF Uricchio, *Paths of Tax Law*, Bari, 2017, pages 20 and following).

²³ Article. 2034 of the Civil Code states: "The repetition of what has been spontaneously given in the performance of moral or social duties is not allowed, unless the performance has been performed by an incapable person. The duties indicated in the preceding paragraph, and any other for which the law does not grant action but excludes the repetition of what has been spontaneously paid, do not produce other effects ".

Thus, prostitution constitutes a paid service provision which falls within the notion of economic activity.

Furthermore, the equalization of the relationship of subjection of certain persons engaged in prostitution to their employees in subordinate employment, even if founded in national law, would result in the total removal of an economic activity from the established freedom of establishment regime from the Ce Treaty, while it is undisputed that the activity of prostitution can take place outside of any proximenism²⁴.

Furthermore, the nature of the activity performed by prostitutes is significant, also for the purposes of V.A.T., because, according to the D.P.R. n. 633 of 1972, art. 1 "applies to the sale of goods and services rendered in the territory of the State in the exercise of companies or in the exercise of arts and professions and on imports". According to the D.P.R. n. 633, art. 3, paragraph 1, "services provided by services rendered through work contract, contractors, transport, mandate, shipment, agency, brokerage, deposit and in general by obligations to do, not to do and to allow what is the source"; where the subsequent art. 5, paragraph 1, specifies that "exercise of arts and professions means the exercise by habitual, though not exclusive, profession of any self-employment activity by natural persons or by simple companies or associations without legal personality constituted between natural persons for the exercise in associated form of the same activities".

In this way, it must be stated that it is subject to I.V.A. of prostitution, when it is autonomously carried out by the lender, with a character of habituality: albeit contrary to good customs, as perceived by the generality of people as transgressive of shared ethical norms that refuse the commerce for money of one's own body, the aforementioned

²⁴ The second paragraph of art. 4 of the constitutional charter establishes that every citizen has the duty to perform, according to his / her possibility and choice, an activity or a function that contributes to the material or spiritual progress of society. The Republic, which is founded on work, recognizes the right to work, but above all as a right of freedom which is expressed in the freedom to choose one's own activity. The constitution does not recognize, therefore, those laws that introduce unreasonable limitations or obstacles to the free exercise of work activity. The right to free work is also recognized by art. 15 of the Charter of Fundamental Rights of the European Union.

activity does not constitute a crime, and consists, in fact, in a service to a fee, which can be framed in the ample provision contained in the second paragraph of the aforementioned DPR n. 633 of 1972, art. 3, paragraph 1.

The qualification of prostitution in terms of "provision of paid services" is, moreover, already affirmed by the Court of Justice of the European Communities in sentence no. 268 of 20.11.2001, in case C-268/99, provided that the activities carried out are real and effective and not such as to present themselves as purely marginal and ancillary²⁵.

3. Jurisprudential Guidelines of the Taxation of Income from Activities of Prostitution

The activity of prostitution has been repeatedly examined by the tax jurisprudence of merit and legitimacy, with diametrically opposed rulings.

First-instance tax courts in Milan²⁶ come to the conclusion that the activity of prostitution is not among the illicit ones, since it does not find any confirmation in the legal system; in fact, for some time now, prostitution is no longer a hypothesis of crime, for which the provision of art. 14, paragraph 4, Law 537/93, according to which "in the income categories referred to in Article 6, paragraph 1, of the consolidated text on income tax, shall be understood as including, if classifiable, the income deriving from facts, acts or activities that qualify as a tort, criminal or administrative offense".

Furthermore, this activity does not fall under any of the other hypotheses set forth in art. 6 T.U. 917/86: "Individual income is classified into the following categories: a) land income, b) income from capital, c) income from employment, d) income from self-employment, e) business income, f) other income".

In light of the current legal system, the income from prostitution cannot technically be considered income; therefore, it is not subject to tax and can be considered as being consequential.

²⁵ Cass. civ. Sec. V, Sent., 13-05-2011, n. 10578

²⁶ Provincial Tax Commission of Milan sentence no. 272 of 2005. Also the CTR of Lombardy, with sentence no. 35/31/05, filed on 31.3.2006, stated that the proceeds deriving from the exercise of prostitution do not constitute income subject to taxation.

In fact, since "prostitution is an activity contrary to morality, as it is perceived by the generality of people as a violator of the current moral that refuses, on the basis of ethical standards that represent the heritage of the current civilization, the trade of a woman's body for money , the sum earned by the prostitute as a result of the activity carried out cannot be considered income of self-employment or employee "(Cassation 4927/86), nor illicit because not sanctioned, with the consequence that the proceeds of this activity cannot be subjected to taxation, because it can be classified in one of the categories named by the Consolidated Law on Direct Taxes. Therefore, the Ermellini have made these proceeds fall into a sui generis form of compensation for the damage that the prostitute suffers due to the injury of the integrity of her own dignity in the sale of the self.

The merit judges of Florence²⁷ have expressed themselves diametrically opposed to the judges of Milan, which have given income relevance to the proceeds of the activity of prostitution, specifying that such income does not constitute income tax exemption or not taxable income or even income from illegal activity. , but it is included among the so-called income from other, taxable according to articles. 6 and 67, lett. 1), D.P.R. December 22, 1986, n. 917, that is to say "income deriving from work of self-employment not habitually exercised or from the assumption of obligations to do, not to do or permit", qualifying the income from prostitution as taxable income.

In 2010, with an epochal pronouncement diametrically opposed to another own ruling of 1986²⁸, the Supreme Court²⁹ ruled that prostitution, although questionable on a moral level, must be subject to taxation, since it is an activity deemed not illegal.

²⁷ Provincial Tax Commission of Florence sentence no. 146, filed May 8, 2007. Also the C.T.P of Reggio nell'Emilia with the sentence of 11 June 2009 n ° 131, considered that the proceeds deriving from the activity of prostitution fall into the category of self-employment income.

²⁸ The Court of Cassation with the sentence n. 4927 of 1/8/1986 qualifies the income of prostitution, as an income deriving from compensation for damages sui generis due to the damage of the integrity and of the dignity of those who suffer the affront of the sale of self.

²⁹ The Court of Cassation with sentence n. 20528 of 1 October 2010, accepting the requests of the Revenue Agency establishes that adult prostitution must be subject to taxation, as it is a "lawful" activity.

With the announcement of 2011³⁰ n. 10578 of 13 May 2011, the Supreme Court considers prostitution as a "normal" activity and that if carried out autonomously it must also be subjected to VAT, because, according to the D.P.R. n. 633 of 1972, art. 1 "it applies to the sale of goods and services carried out on the territory of the State in the exercise of companies or in the exercise of arts and professions and on imports from anyone who actually works". According to the D.P.R. n. 633, art. 3, paragraph 1, under consideration, "services rendered to workforce are considered the services for a fee depending on the contract of work, contract, transport, mandate, shipment, agency, brokerage, deposit and in general obligations to do, not to do and to allow whatever the source "; whereas the subsequent art. 5, paragraph 1, specifies that "exercise of arts and professions means the exercise by habitual activity, though not exclusive, profession of any self-employment activity by natural persons or by simple companies or associations without legal personality constituted between natural persons for the exercise in associated form of the same activities ".

In this way, the Supreme Court affirms that the subjection to VAT of the activity of prostitution, when it is carried out autonomously , with character of habituality, albeit contrary to morality, as perceived by the generality of people as transgressive of shared ethic rules that refuse the trade of one's body, for the money does not constitute a crime, and consists, in fact, in a service for fee, which can be framed in the ample provision contained in the second period of the aforementioned DPR n. 633 of 1972, art. 3, paragraph 1. The qualification of prostitution in terms of "provision of paid services" is, moreover, already affirmed by the Court of Justice of the European Communities in sentence no. 268 of 20.11.2001, in case C-268/99, in which the Court moving from settled jurisprudence, according to which a service of a subordinate job or a provision of paid services must be considered as an economic activity according to art. . 2 of the EC Treaty (now, after amendment, Article 2 EC), provided that the activities

³⁰ The Ermellini with the pronouncement of May 13, 2011, n. 10578, have reconfirmed their orientation, also recalling the ruling of the European Court of Justice of 20 November 2001, case C268 / 99, which stated that prostitution can be framed in an economic activity of free profession.

carried out are real and effective and not presented as purely marginal and ancillary, said that "prostitution constitutes a provision of paid services" , which falls within the notion of "economic activities", referring to the national court "to ascertain in each case, in light of the evidence provided, if the conditions that allow us to consider that prostitution is performed as self-employment exist, that is, without any restriction of subordination as regards the choice of such activity, the working and salary conditions, under one's own responsibility, and a salary that is paid in full and directly "³¹.

Given, therefore, that the proceeds derived from the activity of prostitution, as established by the court of merit, must be subject to VAT, it must here be reiterated in relation to the D.P.R. n. 633 of 1972,

³¹ Following the ruling of the Court of Justice, some European countries are adapting their laws for the recognition of the activity. In Germany, prostitution has been an entirely legal activity since 2002, thanks to the "Law for the improvement of the legal and social situation of prostitutes", which allowed to protect the activity of prostitutes and authorized the activity of brothels, provided that there was absence of exploitation of prostitution and the induction of it.

With its legalization, prostitutes can carry out the activity autonomously or in a subordinate way. In the event of subordination, they have all the rights provided by the German welfare system from unemployment benefits to the recognition of the legal right to obtain compensation. With the legal protection of the activity, the prostitutes are also subjected to the payment of taxes, such as income tax and VAT on their services, with a State income estimated at about two billion euros.

In Spain, on the other hand, the law states that the exercise of prostitution is not a criminal offense but it is an activity prohibited by legal but not criminal law. From the point of view of civil law, "The contracting parties may establish agreements, terms and conditions as they see fit, provided they are not contrary to law, morality or public order". Furthermore, art. 1271.1 of the civil law establishes that "a person may be subject to contracting all the things that are not beyond the trade of men." The fact that it is an economic activity does not imply the subjection of such activity in the category of economic activities. judgment of the Superior Court of the Balearic Islands of February 24, 2005, has established that not all taxable products are intended to be considered "economic" activities, but only those produced by a business, professional or artistic, legal, even the Constitutional Court with sentence of 20 February 2002, describing this activity as "socially rejected", does not frame it as a professional activity, so the same taxes as for businesses or professionals cannot be applied to prostitution , nor is it possible to register their income legally. It does not mean that the activity is not subject to taxation. In fact, the art.39 of the law 35/2006, established that the income from prostitution is a capital gain of unjustified assets and falls within the general taxable amount for the tax period when it is revealed.

art. 51 presented for the counterpart D.P.R. n. 600 of 1973, art. 32, in terms of income tax, and, that is, that (as stated by the Ermellini in various sentences³²), in the presence of bank checks, conducted pursuant to art. 51 cit. It is the tax payer's duty to demonstrate that the proceeds deductible from bank transfer should not be recovered by taxation or because it has already taken them into account or because, as stated in other rulings by the Court of Cassation³³, they are not fiscally significant, as they do not refer to taxable transactions .

With another very recent announcement³⁴, the Supreme Court, starting from the legislation that attributes income to the proceeds of illegal activities, with their taxability, affirms that a fortiori must be recognized "the income nature of the activity of prostitution, in itself devoid of profiles of unlawfulness (instead any activity of aiding or exploitation of the prostitution of others pursuant to Article 3 of Law 20.2.1958 n.75 constitutes as criminal offense), an activity partially protected by the same civil law that includes sexual activity for payment in the category of the natural obligation, which, if it does not allow the right of action, gives the person who carried out the activity of prostitution the right to legitimately retain the sums received in payment of the service (art.2035 cc) ".

4. CONCLUSIONS

The activity of prostitution not being an activity codified by law, but lawful, could be included in all those activities that do not find normative confirmation in positive law: as for example door-to-door salespeople, or the so-called tributaries gathered in association. These activities, even if they do not find their normative position, as not illegal, are subject to taxes as an expression of ability to pay³⁵.

³² Court of Cassation n. 8041/2008; 4589/2009, 18081/2010.

³³ Court of Cassation n. 9573/2007, n. 1739/07, n. 28324/07.

³⁴ Court of Cassation, Sez. 5 sentence n. 15596 del 27.07.2016.

³⁵ In fact, the distribution of tax burdens among the members of a community is to be identified in the "contributory capacity" of each subject, both physical and legal. "The public authority cannot demand the payment of taxes in the absence of capacity of individual contribution, by economic capacity intending, the availability of adequate and sufficient wealth to meet the obligation of payment. And the legislator is not free - despite the futuristic proposals to create taxes on "social skills" or welfare indexes as it

The same could be done for the activity of prostitution that, from a tax point of view³⁶, since there are no rules that directly or indirectly regulate the activity, could be implemented in one of those activities not codified, until the legislator intervenes, in such a way that the constitutional provisions referred to in Articles 2, 3, 35, 41³⁷ and 53 of the constitutional charter are respected. According to art. 53 any economic fact for the purpose of the capacity to pay, must be taxed and contribute to the redistribution of income³⁸, by virtue of the principle of

does not have a patrimonial base - to consider at its own discretion the indexes of ability to contribute that are not expressive of economic strength, of a person's ability to pay and to contribute to public expenditure "(D. Stevanato, *The social justification of the tax - taxes and determinability of wealth between law and politics*, Bologna, 2014, page 33). In other words, "The limit to legislative choices is therefore reduced to the possibility of evaluating in cash certain situations or elements of fact included in the taxable case, even beyond the scope of the subjective rights currently available and exchangeable with others. But the measurability in money is only instrumental to the control of the reasonableness of the legislative choices in terms of the rational connection between different incidence of the tax burden on individual subsidiaries and effective diversity of their situations in the economic and social context, appreciable also in the context of whole system of distribution of public loads. "(A. Fedele, *The fiscal function and the ability to contribute in the Italian Constitution*, in L. Perrone - C. Berliri, *Tax Law and Constitutional Court*, Naples, 2006, page 14).

³⁶ "Taxes are needed for the State and other public bodies to use the relative resources to pursue the aims indicated in the constitution. Thus, taxes are necessary to effectively implement constitutional values. In particular, the State cannot limit itself to guaranteeing economic and individual freedoms, but - according to art. 3 of the constitution - must remove the obstacles of economic and social order, which, by limiting the freedom and equality of citizens, prevent the full development of the human person "(F. Pistolesi, *Tax Justice*, Bologna, 2006, p. 11). Tax interest is a vital interest for the community because it allows the State to operate its machine through the provision of its services (Court of Justice No. 45 of 1963, No. 50 of 1965, No. 91 of 1974, No. 164 of 1975).)

³⁷ "Private economic initiative is free ... and cannot be held in contrast, among other things, with human dignity", the constituent, with these words written in art. 41 of the constitution, wanted to recognize the guarantee of the rights of individuals not only as such, but also as consumers, thus denoting a form of protection linked to the socio-economic evolution of the state. When the constitution was written, the Merlin law had not yet been launched, which means that a possible standardization of the subject can never be considered in contrast with the ethical principles of the constitution.

³⁸ "It is evident that, if art. 53 cost. expresses the link between the situation and subjectivity (understood as a legal situation), there can be no obligation to contribute if the case referred to the obliged party does not express the ability to pay; if this

progressivity referred to in the second paragraph of the aforementioned article, to achieve what is called social justice as to the combined disposition of the articles 2 and 53 of the constitution³⁹.

However, for a long time, a rather traditionalist jurisprudential approach prevailed in our country, which considered income from prostitution intangible, assuming that the sums received following the exercise of prostitution activity constituted a sui generis form of compensation for the harm suffered by the prostitute "because of the damage of the integrity of dignity of who has suffered the affront of the sale of oneself", as stated by the Supreme Court in a fairly dated sentence of 1 August 1986 and further confirmed by sentence no. 272 of December 22nd 2005 issued by the Provincial Tax Commission of Milan which, conforming to the Court's decision, considered the proceeds from prostitution as not being subject to taxation as constituting a form of compensation for the damage suffered by the woman following the sale of their body.

The jurisprudential orientation has changed course since 2007 when, tax courts of first instance in Florence, expressed themselves in a favourable sense to taxation, considering that the income deriving from the activity of prostitution, like any other type of income, should be

subsists, the concourse will have to change according to it, the greater the economic capacity of the subject, the higher the tax that can and must be requested by this subject (parameter); it is not allowed to ask the subject to a public expense concourse higher than the contributing capacity (in essence a non-existent contribution capacity would be affected), that under no circumstances will reach its end (maximum measure) "(AF Uricchio, op.cit., Pag.37).

"Also with regard to the extension and the limits of the regulatory power (of the State) of choice of the tax conditions, the general theme is again proposed, treated above all by the philosophers of law, the relationship of mutual implication in which the state lives. , law and society; theme that led Di Giovanni to talk about the penetration of the state in society and society in the state and of an active role of the state in the coordination and graduation of competing interests (see B. Di Giovanni, Meaning and limits of legal reformism, in P. Barcelona (edited by), The alternative use of law, I. Juridical science and analysis of law, Bari, 1973, pp.257 et seq. "In F. Gallo, The reasons for taxation, second edition, 2011, Bologna , page 97 and note 23).

³⁹ According to a doctrine, it would be even illegal that "a tax that assumes as its own presupposition the belonging to a certain race or the profession of a given religious faith or a personal condition (being unmarried, for example) F. Pistolesi, op. cit., pag. 12.

subject to taxes, as an expression of economic activity in which a counter-performance of money occurs in the face of a service. A position, which was also confirmed by the Court of Cassation in several very recent announcements, as reported in the previous paragraphs.

Today, even if from a jurisprudential point of view, there is no doubt about the taxability of income from prostitution, however there is still a strong uncertainty about the income category to which the income produced by the activity of prostitution is framed. Starting from the jurisprudential assumption, for which surely this activity cannot be framed in the category of dependent work, as it presupposes the presence of a subject other than the worker that organizes the work (activity completely prohibited in our system), the categories of income from self-employment and other income would remain. On this point the jurisprudence has not yet found a consolidated orientation in the same direction: while it assimilates the work of a prostitute to that of a normal self-employed worker, it changes course by framing the case in the category of different incomes.

In 2016 with ruling n. 22413 the Supreme Court framed the income from prostitution in the category of different incomes regardless of the fact that the activity is carried out occasionally or habitually, noting the condition of habitability, only for the purposes of subjugating the proceeds of the prostitution activity also for VAT purposes. With this decision, the Court changed its orientation expressed in its previous ruling⁴⁰, in which it assimilated the activity of prostitution, habitually carried out, to that of an autonomous worker whose income is to be included in the category of self-employment income.

It would be advisable, therefore, that the legislator intervenes on the matter, given that the prostitution market produces a turnover estimated at about 4 billion a year⁴¹.

It is evident that, in order to avoid discrimination and take advantage of this activity (the advantages, I repeat, from a fiscal point of view in the sense of guaranteeing income to the state), we need to make

⁴⁰ Court of Cassation, Sec. Tributary, sentence no. 15596 of 27/07/2016.

⁴¹ Among the regions at the top of the trade we find Campania, Lazio and Lombardy. In Campania, as well as elsewhere, the phenomenon is also fueled by the activity of organized crime that "commits" and employs prostitutes both on the street and in homes. Data from "Codacons" dating back to 2014.

choices such as: repealing the Merlin law, making lawful exercise of prostitution by adults in the form of self-employment in places not open or exposed to the public or in areas specifically designated by the municipalities, provide a system of mandatory registration of the activity exercised, payment of social security and welfare , as well as the payment of income taxes deriving from this activity and, finally, make it mandatory for those who prostitute themselves, to undergo periodic health checks.

Prostitution, because of the concerns it raises from the point of view of respect for human dignity, as well as its implications in terms of public order, is an activity that unquestionably "makes news", but which, by providing a consideration of the service, must be traced back to taxation. Fiscally, this activity must be considered in the same way as any service provided for remuneration: the particular nature of the service must not divert attention from the relevant economic aspect (performance / counter provision) which makes it a taxable source of income. Consequently, prostitution in Italy can and must be subjected to taxation with direct and indirect taxes such as Personal Income Tax and VAT, since the activity of prostitution is a normal activity, as sentenced first by the Court of Justice and after by the Supreme Court .

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