Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development
Vol. 14, Issue 1, 2014
PRINT ISSN 2284-7995, E-ISSN 2285-3952

AGRARIAN ACCOUNTANCY IN THE VISUAL CONE OF INTERNATIONAL ACCOUNTING STANDARDS

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Abstract

After a long period during which agriculture did not have a standard of its own and applied for that matter the IAS 2 rules regarding inventories; IAS 16 regarding property, plant and equipment and IAS 18 regarding revenues, one last standard is being born – IAS 41. The late appearance of this standard is compensated by the great attention granted from the IASC, as agriculture is very important for those countries in course of development. IAS 41 is operative for those financial statements starting with the 1 of January 2003. The current standard is applied to account those elements regarding agricultural activities. IAS 41 is does not deal: with genuine exploiting activities, with harvested agricultural products, which are non biological products, or with the agricultural production, which is incorporated in the processing process. The activity will follow the financial reporting guidelines imposed by IAS 41 if: (a)the plants or animals, that represent the object of the activities, are living and suitable for transformation; (b) the change must be controlled, a fact which implies a range of activities like ground fertilizing and crop cultivation, feeding and medical assistance while breeding animals;(c)there have to exist fundamentals for evaluating changes like: the degree at which plants ripen, the animals weight, the trees circumference. The most important feature of this standard is the request for evaluating the biological assets at each balance sheet date at its fair value. Taking into consideration the limited framework of the current standard, beside of the explicit exceptions, all IAS must also be applied in agriculture.

Key words*: *agriculture, accounting, biologic, cost, standard

INTRODUCTION

Taking into account the trend of globalization, companies want to apply a uniform accounting system. IASB and FASB have closed an agreement to perform together a new conceptual accounting framework. The controversy standards (rules) based on principles or rules is not only a confrontation between the European and American area of thinking, but even among specialists on the same side of the Atlantic. [7]

MATERIALS AND METHODS

The paper is based on a large documentation regarding International Accounting Standards and reviewed all the important aspects in the author's critical opinion about their application in Agricultural Accounting.

RESULTS AND DISCUSSIONS

The first standard is exclusivity addressed to agricultural activity and it is IAS 41, approved by the IASC International Accounting Standards Committee in December 2000.

This standard comes with a variant to the pattern, traditional costs bringing the model of *fair values* in agriculture accounting.

The given standard will be applied to agricultural activities where biological production factors overstep as life duration the periods of reference, There is no processing of products obtained after harvesting.

IAS 41 is not being applied to agricultural products passed of harvesting period, to areas where biological assets grow, regenerate or degenerate, to incorporeal assets joint to agricultural activity (licenses), to agricultural activities which are not administrable (such as oceanic fishing).

We can acknowledge a biologic asset or an agricultural product in the balance sheet if:

-it belongs to the patrimony that is the company has right of ownership or control over the asset - on outcome of previous events;

-future economic profits determined by, the patrimonial asset should go to company;
-the cost or fair value the asset being estimated in a credible way.

A biological asset must be assessed for the initial acknowledgement and to its fair value for each balance sheet, less the costs estimated from the selling point.

Costs from the selling point include brokers and dealers commissions, taxes enforced by regulation bodies and by stock exchange and transfer as well as customs taxes.

Costs exclude shipping and other necessary costs for selling assets on the market.

Finding the fair value of the asset is done in a different way in conformity with certain conditions existed or not:
- if there is an active market for a biological asset or agricultural product then the market price comes as the basis of determining a fair value;
- when there is no brisk market we have as determination basis of the fair value:
- dealing price the most recent one;
- market price for similar assets;
- sector samples (the value of an orchard– number of seedlings on ha., a herd – hg. of meat).

The fair value is being related either as loss or gain in the profit - loss account. A loss might come up at the first acknowledgement when estimated selling costs exceed the fair value of the goods in their present state. [5]

The change of the value between two balance sheets in seen either as a loss or gain.

Governmental subsidies may be conditioned or not according to this they must be admitted as an income during different periods and ways:

· unconditioned subsidies in relation to biological assets to their fair value minus costs estimated at the selling point, must be considered as income only when governmental subsidies become creations,

· conditioned subsidies in relation to biological assets assessed to their fair value minus costs estimated at the selling point must be considered as income when terms imposed for granting subsidies are being accomplished. [6]

Accounting information can be viewed as a specific "legal" product because the production, presentation and diffusion must be regulated. Optimizing financial communication means controlling the quantity-quality/price report, in terms of accounting information.

International harmonization/convergence in accounting is considered to reduce disparities between national accounting rules.

Accounting normalization is the process of blending the presentation of the summarizing documents, accounting methods and terminology, taking into consideration three fundamental goals :

. obtaining a homogeneous information about the company;
. validating accounting information by external users (comparison over and space);
. contributing to a better allocation of financial resources of a the country.

Accounting harmonization/convergence and normalization are necessary because of the economic agents diversity which helps defining supply or demand for accounting information and because of the imbalances that may exist between supply and demand. [8]

In order to prevent these imbalances, the nominators, in their capacity referees of the accounting game must find solutions to lower the inherent "the use" the organization's accounting system.

The fundamental question of accounting harmonization/convergence is also related to the credibility note given to accounting. The claim is based on the confidence level of users towards the same public company, for the same period in different countries having different images of the size of equity and outcomes as a result of compliance with the rules of those countries. [4]

Among the above mentioned, harmonization/convergence of international accounting represents a positive phenomenon whose realization is determined by current developments in the economic life in general and accounting in particular.

But, like any process, accounting normalization has some limits of applicability, based on the following issues:

· against harmonization/convergence it can be shown that it breaks social balances, it does not take into account the specific role of accounting in each country. Realizing it essentially involves costs undertaken by SMEs, while most of the benefits go to large companies;

· another issue is that of defining/determining the space in which the harmonization/ convergence will manifest, if it shall take into consideration all companies or limit itself to some, especially listed companies, capital companies or those with more than a certain threshold;

·for some companies, harmonization/ convergence involves significant costs. A change in method can change the image of the company's financial condition and therefore will require informing the user accounts about the effects produced by these changes. Internally the company supports training and information adaptation costs. In general, accounting costs are relatively more important for small companies than for large ones, because these latter may allocate these costs (partially fixed) on a larger number of transactions.

Harmonization/convergence can not be fully achieved unless the social and economic environment exists (tax legislation, company law, financing arrangements, company management systems).

IASB and FASB have closed an agreement to perform together a new conceptual accounting framework. The project launched by the two international standardization bodies, does not cover the complete restoration of the conceptual framework as a reference matrix for accounting, but to update some of its architectural elements and integrate relatively new concepts which have appeared in standards like the fair value.

Countries that have adopted the conceptual framework are mostly English speaking countries: United States, Canada, New Zealand, Australia, United Kingdom of Great Britain and Northern Ireland. However, attempts and achievements have appeared in countries with traditional legislative and centralized accounting approaches (Germany, Japan, France etc')'

In connection with the unique framework there should be noted that representative regulators of the whole world work on this new image of the accounting constitution so that based on it global standards for financial reporting based on principles can be developed'

CONCLUSIONS

The accounting system of a country is, as we might recognize a social construction dependent on the nature of society and its development. Beyond this accounting gene, the system of a country depends on the emergence of particular phenomena, and the exchanges i1 is developing with other countries. We are almost convinced that large enterprises of one country, large groups and multinational companies are attracted by the magnet of globalization. What is sad however is that SMEs have little chances not to be crushed under this huge mixer. It is, perhaps, the only hope to find accounting oasis on economic and social level in which to breathe the air and peculiarities of national culture. [9]

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