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RISING PROBLEMS CONCERNING THE ACCOUNTING OF INCOMES

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Abstract *In the present context, the incomes are very important because they show the performance of the economic entity at a certain moment and help to keep its continuity on the market, thereby affecting the outcome of the economic entity.*

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Sales, fees, interest, dividends, royalties, rents, fees, grants
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M41

1. Introduction

The general criteria for the revenue's recognition are presented in the conceptual framework as: future and probable economic benefits and the size estimated in a reliably manner.

The income category include both amounts and values received or receivable in own current activities and gains from any other sources.

In terms of revenue, they express the richness of economic exchange ratios derived from activities and owned property[1]. In another interpretation, they indicate the obtained resources and the results, consisting of amounts received or receivable in exchange for the sale of goods, works and services or owned properties (e.g. rents received).

The revenue from ordinary activities is the income that arises in the course of business by a company of its current limit being found and under different names including sales, fees, interest, dividends, royalties, rents, grants, interest and dividends.

Depending on the operations' nature, we will underline the specific criteria in order to recognize the revenue arising from the following transactions and events, according to the Order nr.1898/2013:

1. The sale of a property is recognized when the following requirements are met:

a) the entity has transferred to the buyer the main risks and benefits inherent in that ownership;

b) the entity retains neither continuing managerial involvement to the degree that the goods sold would have done normally, if ownership over them and do not even have actual control over them;

c) the amount of revenue can be reliably measured;

d) the economic benefits associated with the transaction will flow towards the entity;

e) transaction's costs can be reliably measured.

2. Provision of services when transactions involving the rendering of services can be reliably estimated, the associated revenue with the transaction shall be recognized to the extent of execution of the contract at the balance sheet date. Provision of services also includes works and any other operations that cannot be treated as supplies of goods.

3. Income from interest, royalties and dividends (under Order 3055/2009 and rents)

4. According to OMPF 3055/2009, the income realized from the reversal of provisions, i.e. adjustments for depreciation or loss of value is highlighted separately, depending on their nature. Reduction or cancellation of provisions constituted respectively impairments or impairment is performed by recording reflected income if not justify maintaining their realization occurs the risk or expense becomes payable.

2. Evaluation of the revenues from ordinary activities

Revenue is measured at the fair value of the means of payment received or receivable. Means of payment is cash or cash equivalents. When entering cash flow is delayed (credit sales), it is a financing operation. In this case you need to calculate the interest rate. The difference between the fair value and the nominal value of the means of payment received is separately recognized and presented as interest. In assessing, the

[1] Ristea M., Dumitru C. (2012). Freedom and compliance in standards and regulations of accounting, CECCAR Printing House, Bucharest, p.649

income must be taken into account about the amount of any trade discounts.

Are included only income flows of economic benefits received or receivable by the company in its own name.

According to Order no. 1.898/2013, the assessment of when an entity has transferred the significant risks and rewards of ownership to the buyer requires an examination of the circumstances of the transaction. In most of cases, the transfer of risks and rewards of ownership coincides with the transfer of legal title or the passing of possession. This is the case for most retail sales. In other cases, the transfer of risks and rewards of ownership occurs at a different time from the transfer of the legal title or the passing of possession. If an entity retains only an insignificant risk of ownership, the transaction is a sale and the revenue is recognized.

For example, a seller may retain the legal title to the goods solely to ensure that you will receive the due amount. In such a case, if the entity has transferred the significant risks and rewards of the ownership, the transaction is a sale and the revenue is recognized.

Another example is when an entity retains only an insignificant risk of ownership that operation may be a retail sale with a money-back clause if the customer is not satisfied. In such cases, revenue is recognized at the time of sale provided the seller can reliably estimate the future returns and recognizes a provision for returns based on previous experience and other relevant factors.

3. Parallelism between the national regulation and the International Accounting Standards

The standards IAS / IFRS represent a set of accounting rules. Currently, they are issued by the International Accounting Standards Board (IASB). Lot of standards forming part of IFRS are known by the old name of International Accounting Standards (IAS). The aim of IASB's body is to develop the accounting rules in order to be internationally used.

The International Standard dealing with revenue is IAS 18 "Revenue coming from current activities" which replaces the IAS 18 as "The Recognition of the Revenue" concerning ordinary activities, approved in 1982; the objective of this Standard is to prescribe the accounting treatment of some revenue arising from certain types of transactions and events.

The incomes represent increases in economic benefits during the financial year following the entry or enhancements of assets or decrease liabilities resulting in increases in equity, other than those obtained through contributions from equity holders.

IAS 18 should be applied in accounting for proceeds from current activity. Revenue resulted from current activity is that type of income that arises in the current activities of the company and includes[2]:

• sales of goods;
• provision of services;
• the use by others of enterprise of assets that generate interest, royalties and dividends.

The revenue from sales of goods in accordance with IAS 18 includes goods produced by the entity for the purpose of sale and goods purchased for resale.

In accounting, revenues from sales of goods are recognized when handing goods towards to the buyers, of their delivery based on the invoice or other conditions specified in the contract evidencing the transfer of ownership of the goods towards the customers.

Revenues from services are recorded in the accounts as soon as they were made. The provision of services also includes works and any other operations that cannot be treated as supplies of goods.

The timing of revenue recognition

Important in accounting for revenue is determining when to recognize a revenue. Thus, the IAS 18 requires that revenue from ordinary activities is recognized when it is probable that future benefits will be returned to the entity in the future and that they can reliably be measured.

Revenue can be used to purchase assets or to increase the value of different types of assets; examples of such assets include cash, receivables, goods and services received in exchange for goods and provided services.

Income may also result from the settlement of liabilities. For example, an entity may provide the goods and the services are required to settle a debt related to an ongoing credit.

According to Order no. 1.898/2013, it was inserted a new paragraph in the timing of recognition of income as follows:

Revenue is recognized in profit or loss account when it can be reliably measured the increase of future economic benefits related to the increasing or the decline in value of an asset or liability value. The recognition of the revenue is simultaneously performed with the increasing recognition of assets or debt relief (for example, the net increase in assets resulting from the sale of products or services, or decreasing debt as a result of cancellation of debt).

Expenses are recognized in profit or loss when it can reliably evaluate a decrease in future economic benefits related to a decrease in value of an asset or an increase in the debt. Recognition of expenses occurs

[2] Lepădatu Gh. (2013). Financial Reporting in XXI Century International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) Financial Accounting-depth case studies of companies, Pro Universitaria Publishing House, Bucharest, p.487

simultaneously with the recognition of the increase in the debt or reduces of the value of assets (i.e., the wage employed or the depreciation of equipment).
Revenue is recognized when there are probabilities that the company reverts to the future economic benefits and these benefits can be reliably measured.
The Order no. 3.055/2009 is an official document issued by the Ministry of Finance which has the incidence of national tax legislation and IAS 18 is one of the most important standards, not so much by the place it occupies in the revenue accounting system as elected by their new approach in terms of fair value and the present value attached to the income or the revenue expenditure connection.
Although one international addresses, and the other works on national field, the differences between the accounting systems were reduced although they still exist, or that these differences will persist, whether they will reach a global accounting standard, currently due to the Order no.3055/2009 and to the Order nr.1898/2013 and it can be found that the differences have diminished, so the standards are very similar.
Of the main differences I will present:
• OMPF no.3055/2009 which recognize the extraordinary income resulting from events or transactions that are not expected to recur in a frequent or regular. Extraordinary revenues come from:
1. Operations of management, in this case it is about operations with exceptional character that refer to the operating activities of the enterprise (e.g. receiving donations of assets, income from damages and penalties or other exceptional income from operations' management).
2. Capital operations they relate to proceeds coming from the sale of fixed assets, excluding VAT, subsidies paid to the outcome of the exercise.
3. Provisions are extraordinary income coming from the cancellation or reduction of provisions for risks and charges exceptional income from provision for impairment.
In the Order no.3055/2009 to IAS 18 also appear in current income realized from: commissions, rents, subsidies.
Other differences related to the background, because the meaning is the same, but the wording is different.

4. Conclusions

Revenue have an extreme importance because it produces a huge impact on the financial statements that us, the accountants, as professionals, we must do our duty in relation to the legislation and the code of ethics in order to analyze and present the true image of the company and in the context in which the accounting requires an accounting law as an autonomous discipline in our country.

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