

CASH ACCOUNTING IN THE EQUATION OF THE BUDGET EXECUTION AND OF THE PUBLIC MANAGEMENT

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ABSTRACT: *Accounting is the instrument used by the management of a public institution to satisfy the need for information and to direct their decisions. The state's treasury is the public institution that ensures the perpetuation of the cash based accounting. The paper approaches the following: the treasury's role in achieving the execution phase of the budgetary process, methods of changing into cash the budgetary incomes and to pay the expenses, the accounting instruments of the various transactions that contribute to achieving the budget execution, with the active involvement of the budget classification and of the fiscal register.*

KEY WORDS: *cash accounting, budget execution, treasury, budget incomes, budget expenses, incomings, payments*

1. INTRODUCTION

A lot was written about the advantages of liability accounting in connection with cash accounting at the level of the public institutions, the process was emphasized after the start of the accounting reform in the public sector, beginning with 2002. Just as proliferated is the parallel between double entry bookkeeping and single entry bookkeeping. The conclusion regarding this last parallel, namely the fact that the simple entry bookkeeping has lasted in time because of the scientific usability (and not because of its elementariness), is also valid for the binomial cash accounting - liability accounting. Apparent in desuetude and compared with the proliferated liability accounting, the cash accounting proves to be the main mean to get information regarding the budget execution at the level of the state treasury. The state treasury represents a unitary and integrated system used by the state to ensure the collecting and payment operations regarding the public funds, in conditions of safety and with the observing of the legal dispositions. Therefore, the treasury achieves the management process of the financial resources in the public sector and the prompt intervention in all the tracing phases of the public finances execution becomes possible.

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2. THE BUDGET EXECUTION IN THE TREASURY'S ACCOUNTING

Based on the Accountancy Law no. 82/1991 and the Government Directive no. 78/1992, the Ministry of Finance is authorized to organize the accounting of the Treasury of Public Finances regarding the cash execution of the various budgets, as well as other financial operations done in the account of the central and local public administrations. Among the elements that define the object of the treasury's accounting, we can identify the cash reflection of operations like: cash entries and exits in/from the current account/the treasury's money office; collecting the incomes and the payment of the budget expenses; the availabilities and the deposits of the public institutions; reimbursements between the units of the treasuries and banks, etc.

In general, the public institutions are entities that produce public services which address the private sector. The specificity of the state's treasury is also given by the fact that its services are offered to both the public and the private sector. This is why the treasury's key role is to ensure the financial elements/resources that are used to meet the general needs of society. The purpose of the public sector is to serve, not to accumulate and the efficiency constitutes an indicator dependent on the quality of the provided public services. In this context, we can say that the management decisions are grounded on value judgements and the public financial resources reserved and allotted through budgets approved by the political representatives constitute an important factor in ensuring the quality of public services. Mathematically, it results that efficiency is dependent on the financial resources managed by public institutions, the leading role being the public finances treasury:

$$\left. \begin{array}{l} E = f_1(Csp) \\ Csp = f_2(Rfp) \end{array} \right\} \Rightarrow E = f_1 \circ f_2 = f_3(Rfp) \quad (1)$$

where: E - the efficiency of public services, Csp - the quality of public services, Rfp - sums reserved and allotted through the budget system.

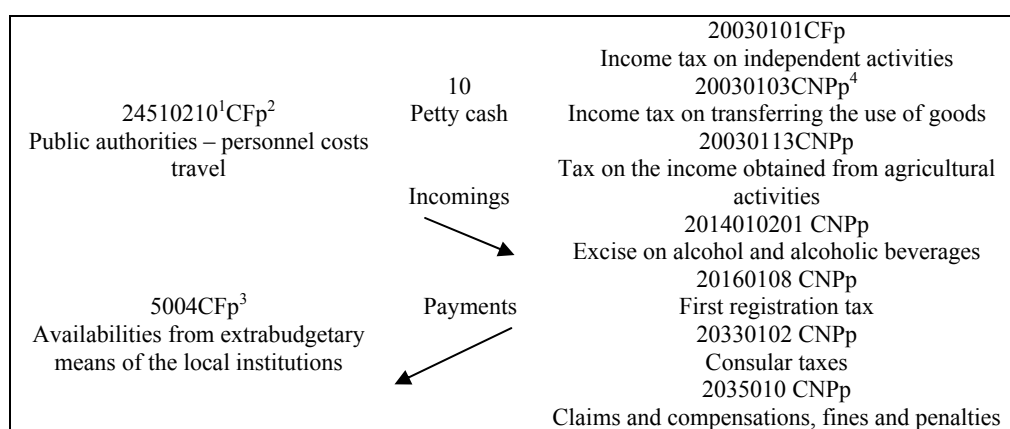
Therefore, a very important role in ensuring the fluidization of the financial flows at the level of the public institutions is held by the budget execution, run through the state's treasury. The budget execution reflects the set of measures, activities and operations regarding the income collecting and the actual budget spending approved by the legal forum. The State Treasury Accounting is organized within the General Direction of Public Accounting and of the Reimbursement System in the Public Sector within the Ministry of Public Finance, as well as within the General Directions of Public Finance in each county and the Public Finance Administrations as specialized bodies of the Ministry of Public Finance at territorial level.

From a technical point of view, transposing into the accounting of the Treasury the operations generated by the execution is done based on the following elements: the accounts in Class 2 "Budget revenues and expenses" of the chart of accounts specific for the Treasury, the digital codes offered by the budget classification of the revenues and expenses for each budget that creates the budgets system, the fiscal register. Thus, in the structure of the budget revenues and expenses analytic account that generate

cash entries/exits we can identify the code of the synthetic account of income/expense from the chart of accounts, the code of the income/expense chapter, the code of the budget that has the elements which generate the result, the code of the income/expense title subchapter, the fiscal code of the payer/public institution. The latter is written digitally in the symbolic unfolding of the analytic account.

The mentioned aspects reveal “the concern for details” in achieving the budget execution and at the same time their importance in the economic life. For the revenues of local budgets derived from private individuals and corporate bodies, the allotment of revenues between local budgets is done by using the taxpayer identification number of the Local Council that the taxpayer belongs to. All the operations regarding the actual incomings and payments are daily recorded in the treasury’s accounting, either done in cash or through transfer, based on the informational support that certifies those operations. Usually and in a classic manner at the same time, the budget revenues are collected and the budget expenses are paid in cash. The revenues come from corporate bodies, but especially from private individuals and they charge the state budget, the local budgets and the social welfare budget. Regarding the expenses, the distinction between their payments based on the open and allotted budget credits for the financing of various expenses, namely the cash payment as a result of drawing out sums of money from the availabilities accounts of the Treasury.

Schematically, the reflection in accounting of the budget execution through the cashier’s office is as follows:



1. cash draw out by a institution financed from the local budget; 2. CFp - taxpayer identification number; 3. drawing out a sum of money from the account for the payment of mailing expenses; CNPp - the personal identification number of the taxpayer

Figure 1. The accounting dimension of the budget execution through the cash desk

Based on Directive 945/04.07.2005, the instructions regarding the reimbursement operations of the state’s treasury in the electronic payments system were approved. In the electronic payments system the cash orders are grouped in packages depending on the type of the operations: (i) initiated intra-treasury payments of small and large value, which include operations done through transfers between units of the state treasury within the same county; (ii) initiated intra-treasury payments

of small and large value, which include operations done through transfers between units of the state treasury that are in different counties; (iii) initiated small interbank payments, include operations initiated through transfer, representing payments of small value between units of the treasury and banking units; (iv) initiated large interbank payments, include operations initiated through transfer representing payments of large value between units of the treasury and banking units.

Therefore, another part of the operations regarding the budget execution is done through transfer. The credit of the analytical accounts adequate for the collected income sources on the basis of the payment arrangements of the payer, attached to the account statement is used for incomings. The debit of the analytical accounts adequate for the destination of the expenses made/paid on the basis of the foundation note and of the cash orders presented by public institutions is used for expenses.

The figure of the book entry of the operations regarding the budget execution, done through transfer is rendered below:

23510120 ¹ CFp Public authorities – material expenses	61 Treasury nostro account	2010010101CFp Value added tax
	Incomings	20470101CFp Salary income tax
	↓	20350101CFp Claims and compensations, fines and penalties
	Payments	20470101CFp Tax of the revenues of micro enterprises
24510271 ² CFp Public authorities – capital expenses	↑	2107020102CFp Tax on buildings from corporate bodies
		2107020202CFp Land tax from corporate bodies

1. Reimbursement of the material expenses for the public institution financed from the state budget towards a beneficiary that has an open account in a bank; 2. The investment's reimbursement through transfer to an institution financed from the local budget

Figure 2. Book entries regarding the budget execution through transfer

According to the ANAF Order no. 1294/2007, a series of fiscal liabilities owed to the state budget are paid in the sole account 20.47.01.01 "Revenues to the state budget - amounts collected to the state budget in the sole account, in progress of distribution". For the budget of the social insurance the sole account is 55.02 "Availabilities of social insurance and social fund budgets in progress of distribution". The internal reimbursement from the account open at the treasury by economic agents (5069 "Availabilities of the economic agents") is another way to achieve the budget execution, schematically, the incomings and payment operations are rendered in accountancy as presented in figure 3.

There are situations when the availabilities accounts are not present in the accounting mechanism of achieving the budget execution. This is the case with internal reimbursement operations from the account of the public institutions financed from public funds with an open account at the treasury for the budget liabilities. Assuming that it's about the local public authorities, and the payment liability takes the form of

the employer's contribution to the sole national social health insurance fund. The book entry is as follows:

24510210CFp = 262005030CFp
Public authorities The employer's social health insurance contribution

236501201CFp Education-material expenses	5069CF Availabilities of the economic agents Incomings	5502 The employer's social insurance contribution
246502101763332 Education – material expenses		201401020110203040 Excise on alcohol and alcoholic beverages
50041763333 Availabilities from extra budgetary means of the local institutions	Payments	

1. The payment of a bill to an economic agent by an institution financed from the state budget; 2. reimbursing the material expenses through transfer to an institution financed from the local budget; 3. reimbursing the material expenses by a public institution from the availabilities account.

Figure 3. The accounting of the budget execution through internal reimbursement

A non-intervention situation for the availabilities accounts is represented by the offsetting between various fiscal liabilities, such as the global income tax and the income tax from independent activities.

20030160CFp = 20030101CFp
Global income tax Income tax from independent activities

The accounting and reimbursement department accomplishes the finish of the operational flow of the day, renders the daily balance as a control mean of the operations, accomplishes the reimbursement of the payments disposed from the accounts open at the treasury by the beneficiaries from the outside, issues, prepares and releases account statements to the titular of the account. Last, but not least, it gives to the administration office of the state revenues and the audit department of corporate bodies useful information regarding the budget execution.

The cash accounting, known also as accounting in a financial style, records only the impact of the economic activity upon the treasury and it gives a detailed image of the way in which the annual budget was spent, it offers revenues and budget expenses accounts, whose functioning is based on the principle of cash accounting.

3. CONCLUSIONS

Change is omnipresent in the contemporary society, including in the accounting field, given the globalisation process, its role in the managerial process and in ensuring the necessary information for different categories of users, including/especially the government and its institution, which are involved in managing public funds. The goal of the public institutions and administration is to satisfy the public interest, to provide quality public services in the context of the growing superior human needs and the limited feature of the financial resources. Cash accounting regarding the budget execution supports the public administration in identifying the best relation between the put-in efforts and the results obtained as a substitute of the efficiency principle, which is advertised by the public administration

management. We think that the triad state treasury - budget - cash accounting will activate for a long time on the accountancy scene of the public institutions in Romania, at least because during its execution, the budget uses information from the budget execution account, which is produced by the cash accounting model through the state treasury. The final goal is to inform the users regarding the collecting level of the planned incomes, to make the payments for the budget credits associated with the expenses approved by the budget. Aspects like observing the destination of the budget credits, the allotment policy of the resources during the budget exercise are not neglected. At the same time, we can't talk about a fight for supremacy between cash accounting and liabilities accounting, but we can talk about their contribution to satisfying the informational demands of different categories of users. Cash accounting has the leading role in supplying information about the materialization of the forecasts regarding the budget revenues and expenses. The dichotomy also intervenes when it's about disconnecting public accounting from the budget, the pro argument being the inability to apply the budget rules for certain categories of expenses (depreciation, provisions), and the con ... cash accounting of the budget execution.

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