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The accounting of the grant funds and subsidies

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Abstract

Within this article it is studied the field of the subsidies received as a nonrepayable financial support (grant), either we discuss about the grants for investments or the operating subsidies.

Subsidies accounting is differentiated, according to their typology, classification that proves their distinctive characteristics. Subsidies for assets, also known as investment grants, are those that considerably increase the beneficiary's patrimony with new assets. Operating grants are those used for a purpose other than the acquisition of assets.

The article aims at collecting all definitions related to this area, including legislation on European funds, received by the beneficiaries.

The methodology of research is the qualitative one, the whole process of accessing projects with community money being discovered from a descriptive conceptual persepective.

Keywords: non repayable funds, beneficiary, investment grants, operating grants, distinct accounting, fixed assets, depreciation

1 Objectives

A first objective of the study is to highlight the main theoretical aspects of the accounting of subsidies, regardless of their type (related to assets or incomes).

The second objective is to present an example of accounting for transactions in a project funded by European funds.

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The last objective of the paper can be considered the one according to which centralizing all relevant information for the field of community funds, including examples from the practice of specialty.

2 Introduction

The word subsidy has a double origin: on the one hand, it comes fom the French word *subvention*, on the other hand, it has Latin roots, in *subventio*, representing, actually, according to the definition from EXD, a non-refundable transfer of resources from the state budget to a specific domain or certain enterprises, in return for compliance with certain conditions.

The investment is a word from German, and also from Russian language, being a introduction of capitals in commercial, agricultural, industrial entreprises etc., in order to obtain profits; (concr.) capital invested. Exploitation is a notion, derived from the French verb *exploiter*, representing - to use, to value a resource; extract a useful substance, useful material, etc. in order to achieve economic objectives.

The subsidy for investments is the allocation of the financial support received for the purpose of acquiring assets, which subsequently increase the patrimony of the beneficiary company. The operating grant is the one granted for the enterprise's current operations, being recorded as incomes. These include revenues from the sale of products, works or services provided incomes from stored production, incomes from immobilized production, incomes from operating grants, other operating incomes (Bojian, 2001; Feleaga & Feleaga, 2007; Stefko, Bacik & Fedorko, 2017).

3 Theoretical issues regarding the subsidies

Subsidies are non-reimbursable grants received by an entity only if certain requirements are fulfilled, among which the most important is considered to be their destination.

The provisions in relation with the recognition and registration of grants are contained in Section 8.8. of the Accounting Regulations compliant with the IVth Directive of the European Economic Communities, approved by O.M.F.P. no. 3055/2009.

The financial aids granted by the State are for the financing of certain categories of expenditures within a project (also known as minimis and GBER aid), as well as the non-reimbursable funds accessed by entities for the financing of certain investment projects are classified as subsidies (Herndon, 2016; Ruvuta, Ongus & Wafula, 2016; Othman, Noordin, Sembok, Kheder, Ibrahim & Kazi, 2016).

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The identification of subsidies is made when the contract is signed. The recording of non-reimbursable funds in the accounts is different, depending on their destination, thus:

- as subsidies for investments (subsidies related to the assets), in case of receiving and using the funds for financing the investments (for example, the purchase of tractors, high performance machineries and equipments);
- as deferred incomes or incomes from operating (subsidies related to the incomes), in case of receiving and using the funds for financing the expenses (for example, the purchase of raw materials and materials necessary to start the production process, payment of wages, support of training activities, information) (Paget, 2016; Colhon, Cerban, Becheru & Teodorescu, 2016; du Toit-Brits & van Zyl, 2017).

The financial nonrepayable aids are received from entities like: Government, Governmental Agencies and other similar institutions national and international.

From the accounting point of view, the granted subsidies have the following typology:

- The subsidies related to the assets- also known as subsidies for investments;
- The subsisides related to the incomes- also known as operating subsidies.

Each time, in the wide range of subsidies the next ones are distinctly visible: Governmental subsidies- accounts 4451 „Governmental subsidies" and 4751 „Governmental subsidies related to investments", non repayable loans subsidies like- account 4752 „Nonrepayable loans like subsidies for investments", other amounts received as subsidies- accounts 4458 „Other amounts received as subsidies", 4753 „Donations for investments", 4754 „Overstocks as fixed asstes" and 4758 „Other amounts received as subsidies for investments".

From the tax point of view, according to Article 24 (11) (a) of the Fiscal Code, tax depreciation is calculated from the month following that in which the depreciable fixed asset becomes operational.

In accordance with point 70, paragraph 2 of the Methodological Rules issued for the appliance of the Article 24 from the Fiscal Code**,** for the period when the depreciable fixed assets are not used for at least one month, the recovery of the unamortised tax value is made for the remaining normal use period, starting from the month following their entry into operation, by recalculating the tax amortization rate (Lin & Chang, 2016; Qian & Huang, 2017; Vlăduț escu, Negrea & Voinea, 2017). The donations for investments, inventory pluses from within tangible and intangible assets belong also to the large area of the grants related to assets.

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What it is important to know about these grants, it is the fact that they are registered separately in accounting books, into distinct accounts, entering the beneficiary entity as incomes, which are identified under a systemic basis, during the periods linked with the related expenses which are about to be compensated by these grants.

Besides, grants are not directly recognized as capital or reserves, as they will be granted to the company if it meets certain conditions, so that they do not have a high degree of certainty under the influence of subjective and objective factors. So, they are grants for investments- The account 475- "Grants for investments", which are recorded in the balance sheet as deferred incomes, because they don't have any effects in that entity, during that time.

Thus, if the total or partial non-fulfillment of the conditions attached to the allocation of a subsidy is found, the beneficiary of the funds may be required to repay it in full or in part. In this case, the registration in the accounts of the refund is made by reducing the balance of deferred income by the reimbursable amount, and to the extent that it exceeds the balance of deferred income, an expense is recognized immediately (Avram & Ţogoe, 2012< Avram & Avram, 2016).

Deferred income is recorded as current income within the profit and loss account along the recording expenses with the depreciation or at the scrapping and assigning of the assets.

4 Grants for investments

The investment grants are sources of funding allocated from the state budget or through other means to which an enterprise can benefit, for: - the purchase or production of equipment or other assets like fixed assets, - for long-term business activities, - for covering other expenses like the investments.

Investment grants are regulated by paragraphs 392-404 of Order 1802/2014 for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements.

The turnover will highlight only the grant related to the turnover, respectively the amounts received from the budget for the payment of the goods/services provided when the production cost is higher than the sale price.

If, however, we are confronted with the situation in which, at a time, we have subsidies paid for expenditures that have not been done yet, the grants received are not revenues of that current period.

Through the grant agreements it is provided that the debts in foreign currency related with certain objectives or works funded by grants to be paid directly by the authorities that manage the funds, from the amounts representing those subsidies, without these amounts passing through the entity's accounts.

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The beneficiary entity in whose account the grant is awarded has the obligation to record both the foreign currency debt and the receivable from the corresponding grants. The balances from the end of the month, found both in accounts that reflect debts to suppliers and receivables from foreign currency subsidies, are assessed so that the related incomes and expenses do not exert any influence on the outcome of that month or periods.

If a solicitor of funds economic agent made foreign purchases with foreign currency or, if it had any debts in RON, the settlement of which is based on the exchange rate, financed by non-reimbursable amounts, paid by the economic operators, as beneficiaries of these funds, exchange rate fluctuations, favorable or unfavorable, shall be settled with the financing institution (Ristea, Dumitru & Ioanăş , 2009; Sălceanu, 2012; Stefanescu, Pitulice & Mihalcea, 2017) if there are clauses in that sense, contained in the contracts concluded or provisions in the applicable normative acts.

The registered differences in this sense are done into the accounts different debtors or different creditors, in relation with other financial incomes, respectively other financial expenses, as the case may be.

In accordance with the paragraph 234 from the Accounting Regulations in compliance with the IV-th Directive, part of the Accounting Regulations related with the European directives approved by the Order of the Minister of Public Finance no. 3055/2009, the definition for the first category of grants, from the previous classification is the next: the grants related to the assets represent subsidies which can be received with the main condition is the beneficiary entity has "to buy, to build or to purchase fixed assets".

A governmental grant for assets may be in the form of the transfer of a non-monetary asset (eg. a fixed asset), in which case the grant and the asset are booked at its fair value.

Subsidies related to depreciable assets are recognized in the profit and loss account over the periods and in the proportion in which the depreciation of those assets is recorded (Avram, Avram & Dragomir, 2017). From the accounting point of view, point 110 of the Accounting Regulations in conformity with the Fourth Directive of the European Economic Communities, approved by O.M.F.P. no. 3.055 / 2009, establishes that the depreciation of tangible assets is calculated from the month following the start up and until the full recovery of their value.

If tangible assets are recorded into dormant account, in accordance with the accounting policy adopted, the entity records in the accountacy an expense with amortization or an expense corresponding to the adjustment for the impairment found.

In accordance with paragraph 31 of the same accounting regulations, the value adjustments include all adjustments ment to take into account of the decreasings of the individual asset values set at the balance sheet date, no matter if

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that reduction is permanently or not. Value adjustments may be: permanent adjustments, called depreciation, and / or provisional adjustments, called impairment adjustments or loses of values, depending on the permanent or temporary nature of the asset adjustment.
Accounting depreciation shall be calculated and recorded in the accounting for the month following that in which the machinery was put into service. If the purchased machineries are independent and do not require any assembly or technological tests, they are considered to have been put into service at the date of their purchase.
If the date when the machine started working is in December, year n, the depreciation must be calculated and recorded in the accounting starting with the month of January year n+1, until the full recovery of their entrance value - according to the depreciation period, mentioned in the List regarding classification and normal operating durations of the fixed assets.

5 Practical aspects related with grants- for example accounting recordings of the grants

Example 1- recording of the grants for investments

As the depreciation expense is recorded, the share of the subsidy is as it follows:

a. Monthly depreciation of the machine: 6811"Operating costs/expenses" = 2813"Plant depreciation, regarding the depreciation of the means of transport, fixed asstes, animals and plantations"

2. Monthly recording to the incomes of a share of the subsidy: 4751 "Grants for investments" = 7584"Incomes from governmental grants for investments"

Example 2- registration of a nonrepayable subsidy

Below we present an example of an accounting booking of receiving amounts as non repayable subsidies:

b. Registration of the right to receive the grant when approving the financing contract

445" Subsidies" = 475 "Subsidies for investments"

2. Purchase a machine

2131 "Technological equipments (machineries, tools and work installations)" = 404 "Providers of tangible/intangible assets"

3. Payment of the provider

404" Providers of tangible/intangible assets" = 5121 "Bank accounts"

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4. Cashing up the subsidy/grant

5121 "Cash and accounts" =445 "Subsidies for investments"

5. The depreciation of the purchased machine

6811 "Expenses with the depreciation" = 2813 the depreciation of the installations, means of transport.

6. In the same time with the depreciation it is also recorded the income from the received subsidy/grant

475 Subsidies for investments= 7584 "Incomes from subsidies for investments"

Example 3- accounting project funded by european money

We assume that the beneficiary company is SC AGRO FINANCE SRL.

It is approved a funding project with European Funds to the entity SC AGRO FINANCE SRL for NATIONAL PLAN FOR RURAL DEVELOPMENT- NPRD 2014-2020, UNDER THE DECISION 4.1.- INVESTMENTS IN FIXED ASSETS.

The total amount of the project is 550,000 euros, of which the co-financing part of the beneficiary is 10%, respectively 50,000 euros.

The object of the project is to extend the plant farm by purchasing modern agricultural equipment with an estimated cost of 550,000 euros.

We assume the following contractual clauses regarding payments from the total approved grant of 500,000 euros:

- the payment is made in the beneficiary account, in 3 tranches of support, as it follows: the first tranche of 200,000 euros, the second tranche of 180,000 euros and the third tranche of 170,000 euros. It shall be taken into account the fact that the value of the machines from the first tranche of support may not be less than 25% of the total eligible value of the project, and the value of the ones from the last tranche must be at least 20% of the total eligible value of the project.
- The applicant is VAT payer so it wouldn't be taken into account this expense in the category of eligible expenses.

Contracting the acquisition of agricultural machinery will be done with an internal company (reseller of internationally traded equipments) paying the bill in lei according to the euro exchange rate on the first day of the year in which the financing contract was signed (2017) , provided that the payment is made within the term set by the contract - is considered an exchange rate of 4,539 lei / euro.

A. Recording in the accounting of the first installment from the 200,000 euros grant for purchasing agricultural machines:

The value in lei related to the agricultural machines is 200,000 euros x 4,539= **907.800 lei**

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Receiving the invoices of the agricultural machines from the first installment (internal suppliers, with payment in lei according to the leu / euro exchange rate); the value of the first invoice is 200,000 euros, exchange rate at the issuing date of the invoice: 4,539 lei/euro:

213 „Technical installations, means of transport, animals and plantations**"** = 404 „Fixed assets suppliers" 907.800 lei

It is considered as an 8-year depreciation of all agricultural equipments purchased in this tranche. As a result, in the year of acquisition, linear depreciation indicates a value of 113,475 lei. As the acquisition takes place in January, the monthly amortization is 9,456.25 lei.

6811 = 2813 9.456,25 lei

"Operating expenses regarding Fixed assets depreciation" = "Depreciation of technical installations, means of transport, animals and plantations"

Registering the invoices issued by the suppliers

404 „Fixed assets suppliers" = 7701 "Financing from the budget" 907,800 lei

· Payment of the invoice to the suppliers in the same month at an exchange rate of 4,567 lei/euro:

% = 5121 „Bank accounts in lei" 913,400 lei

404 „Fixed assets suppliers" 907,800 lei

665 „Expenses due to the differences of exchange rate" 5,600 lei

· Registering of the receivable grant, at the financing approving (the grant is registered 100%, even it is received 90% from the spent value and 10% is represented by the cofinancing part of the beneficiary):

445 „Subsidies/grants" = 475 „Grants for investments" 907,800 lei

Or

445 "Grants" = 4515 "Receivable amounts from Payment Agency for Rural Development and Fishing- Funds pentru Agriculture, Funds from State Budget and other Funds" 907,800 lei

Requesting the amounts to the MANAGEMENT AUTHORITIES:

8077 = 4451 "Governmental grants" 907,800 lei

"Amounts requested at the reimbursement related to external non reimbursable pre accession funds which are about to be paid toward the budget"

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Approving the requesting of the amounts for the fixed assets purchasing

4451 "Governmental grants" = 4751 " Governmental grants for investments" 907,800 lei

Receiving of the grant related to the performed aquisition (calculating 90% of this amount)

5121 „Bank accounts in lei"= 4451 "Governmental grants" 817,020 lei

B. Recording in the accounting of the second installment from the 180,000 euros grant for purchasing agricultural machines:

The value in lei related to the agricultural machines is 180,000 euros x 4,539= 817,020 lei

· Receiving the invoices of the agricultural machines from the first installment (internal suppliers, with payment in lei according to the leu / euro exchange rate); the value of the invoice is 180,000 euros, exchange rate at the issuing date of the invoice: 4,539 lei/euro:

213 " Technical installations, means of transport, animals and plantations**"** = 404 „Fixed assets suppliers" 817,020 lei

It is considered as a 6-year depreciation of all agricultural equipments purchased in this tranche. As a result, in the year of acquisition, linear depreciation indicates a value of 136,170 lei. Taking into account that the acquisition takes place in March, the monthly amortization is 15,130 lei.

6811	=	2813
15,130 lei		
" Operating expenses regarding Fixed assets depreciation"		" Depreciation of technical installations, means of transport, animals and plantations"

Registering the invoices issued by the suppliers

404 „ Fixed assets suppliers" = 7701 " Financing from the budget" 817,020 lei

· Payment of the invoice to the suppliers in the same month at an exchange rate of 4,5545 lei/euro:

% = 5121 „Bank accounts in lei"	819,810 lei
404 „ Fixed assets suppliers"	817,020 lei
665 „ Expenses due to the differences of exchange rate"	2,790 lei

· Registering of the receivable grant, at the financing approving (the grant is registered 100%, even it is received 90% from the spent value and 10% is represented by the cofinancing part of the beneficiary):

445 „ Subsidies/grants" = 475 „Grants for investments" 817,020 lei

Or

445 "Grants" = 4515 "Receivable amounts from Payment Agency for 817,020 lei

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Rural Development and Fishing- Funds pentru Agriculture, Funds from State Budget and other Funds"

Requesting the amounts to the MANAGEMENT AUTHORITIES:

8077 = 4451 "Governmental grants" 817,020 lei

"Amounts requested at the reimbursement related to external non reimbursable pre accession funds which are about to be paid toward the budget"

Approving the requesting of the amounts for the fixed assets purchasing

4451 "Governmental grants" = 4751 " Governmental grants for investments" 817,020 lei

Receiving of the grant related to the performed aquisition (calculating 90% of this amount)

5121 „Bank accounts in lei" = 4451" Governmental grants" 735,318 lei

C. Recording in the accounting of the third installment from the 170,000 euros grant for purchasing agricultural machines:

The value in lei related to the agricultural machines is 170,000 euro x 4,539= 771,630 lei

· Receiving the invoices of the agricultural machines from the first installment (internal suppliers, with payment in lei according to the leu / euro exchange rate); the value of the invoice is 170,000 euros, exchange rate at the issuing date of the invoice: 4,539 lei/euro:

213 " Technical installations, means of transport, animals and plantations " = 404 „Fixed assets suppliers" 771,630 lei

It is considered as a 5-year depreciation of all agricultural equipments purchased in this tranche. As a result, in the year of acquisition, linear depreciation indicates a value of 154,326 lei. Taking into account that the acquisition takes place in June, the monthly amortization is 25,721 lei.

6811 = 2813 25,721 lei

" Operating expenses regarding Fixed assets depreciation" " Depreciation of technical installations, means of transport, animals and plantations"

Registering the invoices issued by the suppliers

404 „ Fixed assets suppliers" = 7701 " Financing from the budget" 771,630 lei

· Payment of the invoice to the suppliers in the same month at an exchange rate of 4,5478 lei/euro:

% = 5121 „Bank accounts in lei" 773,126 lei

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404 „ Fixed assets suppliers” 771,630 lei

665 „ Expenses due to the differences of exchange rate” 1,496 lei

- Registering of the receivable grant, at the financing approving (the grant is registered 100%, even it is received 90% from the spent value and 10% is represented by the cofinancing part of the beneficiary):

445 „Grants” = 475 „Grants for investments” 771,630 lei

Or

445 ”Grants” = 4515 “Receivable amounts from Payment Agency for Rural Development and Fishing- Funds pentru Agriculture, Funds from State Budget and other Funds” 771,630 lei

Requesting the amounts to the MANAGEMENT AUTHORITIES:

8077 = 4451 ”Governmental grants” 771,630 lei

"Amounts requested at the reimbursement related to external non reimbursable pre accession funds which are about to be paid toward the budget"

Approving the requesting of the amounts for the fixed assets purchasing

4451 ” Governmental grants” = 4751 ” Governmental grants for investments” 771,630 lei

Receiving of the grant related to the performed aquisition (calculating 90% of this amount)

5121 „Bank accounts in lei”= 4451” Governmental grants” 694,467 lei

Thus, as a conclusion of the above examples, we can notice separate accounts for the registration of Community funds, depending on the operation carried out, but also on the field in which the acquisition takes place. Also, in the field of European funds, acquisitions can take place in several installments so that the beneficiary can adjust his financial resources in order not to go bankrupt.

6 Operating grants

Incomes grants include other categories of subsidies than those included in assets grants. Incomes from operating grants are valued in accordance with the general accounting principles (Stefko, Fedorko & Bacik, 2016; Stefko, Bacik & Fedorko, 2017; Vavrek, Kotulic, Adamisin, Sira & Vozarova, 2017; Colhon, Vlăduțescu & Negrea, 2017), in relation with accrual accounting. Thus, the effects of transactions and other events are recognized when transactions and events occur (and not as cash flow or cash equivalents are received or paid) and are recorded in the accounting and reported in the financial statements of the related periods.

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Referring to the accounting of the incomes from operating grants, we have to pay attention to the following aspects (Pântea & Bodea, 2014; Negrea & Voinea, 2016; Neacşu & Feleagă, 2017):

- if all the accounting records are based on the legal documents, corresponding to the nature of the transaction recorded in them;
- if it is a compliance with legal provisions and management decisions on how to complete supporting documents;
- if the errors in the documents are corrected in compliance with the legal provisions;
- whether the documents underlying the records in the accounts are authentic;
- if the centralizing documents that formed the basis of the accounting records are correct;
- if it is a compliance with document flow procedure;
- if it is a compliance with accounting procedures approved by the management;
- if the numbering, use and handling of the forms are done in accordance with the legal provisions;
- if archiving is done in accordance with applicable regulations.
- use of account 741 "Revenues/Incomes from operating grants".

In this account we can register the non-refundable subsidies and loans due to the legal person considered to be a beneficiary of funds, in exchange with the complyiance of certain conditions related with the operating activity of this one.

The accounts used for European funds accounting for the recording of operating grants are:

The account "Incomes from operating grants" is an account for liabilities, being an account, as it is called, of incomes. This is debited with the creditor balance of the same account, at the end of the management period, in order of closing it. Otherwise, account 741 is credited on the one hand with the operating grants received or to be received, having in this sense, as corresponding accounts, account 512 – " Current accounts at banks " and account 445 – " Subsidies ", and on the other hand, the account will be credited with income grants, which are subsequently recognized as deferred incomes, in the debit of account 472 – "Advance Revenues".

In the account 741 credit "Incomes from operating grants" it can be recorded the following:

- operating grants received or about to be received for recovering the losses and price differences (512- "Current accounts at banks", 445- "Subsidies").

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Account 741 can be debited, within the period in discussion, with the incomes from the participation operations transferred to coparticipants.

At the end of the financial exercise, the balance of 741 account is transferred in the profit and loss account (121- "Profit and loss").

The account 741 can be like the below eaxamples, in accordance with the financial operation is related to:

- 7411 Incomes from operating grants referred to the turnover

The subsidy received by the company helps to support the turnover of the beneficiary in question. It is included in this category, including the subsidy from APIA, if it is collected for the purpose of placing on the market, a low selling price.

In the financial statements this is the Form 20 Profit and Loss Account, the turnover is comprised of the summation of accounts in group 70 (incomes from the company's current activity) and of account 7411. If the grant received from is for financing some expenses, then this amount would be registere in Incomes accounts 741x, depending on the subsidized expenditure, and on form 20 will adjust, in the sense of the reduction, the expense that it subsidizes.

From the tax point of view, the incomes from subsidies are taxable in the calculation of the corporate income tax, not being classified as the express non-taxable incomes referred to in art. 20 of the FISCAL CODE.

- 7412 Incomes from operating grants for raw materials and consumables

This account records the subsidies received for purchasing raw materials and consumables, the most conclusive example being the subsidy awarded by APIA, for Diesel oil.

The account 7412 is credited with the debit from 472 account- "Advance Revenues/Deferred Incomes".

- 7413 Incomes from operating grants for other external expenses

The incomes account 7413 is the one that reflects the grants received for the current activity of the societyi- including providing the services by the thirds.

- 7414 Incomes from operating grants for the payment of the staff

Actually, this account reflects the nonrepayable financial aid received for the wages for the staff that perform different activities. A pertinent example is represented by the salaries of the experts involved in the smooth running of a POSDRU project (now recognized as POCU).

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- 7415 Incomes from operating grants for insurance and social security

Account 7415 records the subsidies received for expenditures performed to the state budget and the social security budget, the costs related to the salaries of the staff involved in the implementation of a project (when the Applicant's Guide for the measure on which the project is submitted allows the salaries costs and also those with the related contributions to be included in the eligible expenditures category).

- 7416 Incomes from operating grants for other operating expenses

Category of other operating expenses contains costs such as:

– expenses performed in advance, related to the financial exercise still in progress;
– the amount of damages, fines and penalties, owed or paid to the thirds and budget;
– value of the donations awarded;
– the unamortized amount of intangible or tangible fixed assets removed from the asset;
– the value of the current assets removed from the accounts;
– amounts to be clarified;
– amounts prescribed, exempted or canceled, according to the legal provisions in force, representing receivables from clients, various debtors, etc.

Subsidies received will be awarded for these cost categories, with the indication that in the Applicant's Guide they must be in the eligible category.

- 7417 Incomes from operating grants related to other incomes

This is the account that resulted from the income account of the operating grants granted for extraordinary income and other similar ones.

The extraordinary incomes, also known as exceptional are obtained from events or transactions or operations which are not performed regularly.

These can be obtained from: management operations, capital operations or provisions.

- 7418 Incomes from operating grants for the owed interest

Recording of the bonus received as income from operating grants for owed interest (account 7418) - normally granted for export transactions made and received for real, within the contractual term.

It complies with the requirement of IAS 20 Accounting for Government Grants and displaying the information related to the governmental assistance. The requirements for receiving this non-reimbursable financial aid are:

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- The beneficiary entity complied with the condition imposed by the government to repatriate the currency within the contractual term *(but not later than the legal term).*

- This is received only for the export charged within the legal term and only under the condition if the society used credits for achieving the production.

7 Conclusions

Both investments and operating grants are non-reimbursable financial grants, which are recognized as income from the period in which they are received. The difference between these two categories of subsidies is their final destination, namely the subject matter of the acquisition: assets or elements of current activity. Being included in the subsidies category, both are recognized on a systematic basis as incomes for the period that corresponds to the expenses they compensate. Most of the time, they are recorded in the profit and loss account as deferred incomes, they would be recorded as incomes as the related receivables are met. When a grant is reimbursed for an asset, the deferred income balance is reduced by the reimbursable amount. Talking about the grants related to incomes, their reimbursement is done by reducing the deferred incomes or on the expenses. If there is a difference between the amount reimbursed and the deferred income, it is recognized in the accounting documents as an expense. It is important to note that we have investment grants, the entity which pays tax on profit is taxed on this aid and the expenses on the amortization of the purchased assets are deductible. In contrast, for micro-enterprises paying income tax, operating grants are not taxable as they are not included in the formation of income (Munteanu, 2012; Kot & Teodorescu, 2015; Janmaimool, 2017). In conclusion, it can be pointed out that both investment grants and operating grants are important for the viability and profitability of an activity, the theoretical and practical aspects presented above highlighting the obvious differences in their registration in the beneficiary's accounts.

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