

## THE ACCOUNTING INSTRUMENTATION OF THE FINANCING THROUGH THE OPERATIONAL PROGRAMS IN CASE OF PUBLIC INSTITUTIONS OF ACADEMIC EDUCATION

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### **Abstract**

*Nowadays in Romania, projects financed from nonrefundable external funds post-accession are an important additional source of funding for public institutions of academic education in the somber context of the budgetary underfunding and under the significant decrease in the number of the students that are paying tuition fees. In these circumstances, this paper focuses on the accounting codification and instrumentation of the operations afferent to the projects financed from structural funds, materializing into a pragmatic approach in which we aim to present the accounting reflection of the specific accounting operations in the case of the University of Craiova, as public beneficiary of post-accession external grants, based on the principle of expenses reimbursement. In order to achieve our desideration, we shall consider issues related to the interpretation of the applicable referential in full correlation with the practice size in the context of the accounting capitalization of the financial allocations facilitated by the contracts signed between the public institutions of higher education and the pan-European financier.*

**Key-words:** *accounting instrumentation, operational programs, nonrefundable external funds post-accession, budgetary funds, own contribution.*

**JEL Classification:** *I22, I29, M41, M48.*

## **1. Introduction**

The cohesion policy adopted by the European Union could never be materialized in the absence of non-refundable structural funds. Their primordial purpose is to support harmoniously the sustainable development of the economic and social regions of the community in order to improve the citizens' standard of living. Structural funds are translated into financial instruments whose aim is to diminish development gaps generated by EU's enlargement process.

Today, in our country, the non-refundable external funds (NEF) are regarded as an important category of extra-budgetary revenues for the educational public institutions, which are more and more confronted with the burden of low financing from the state budget and the reduction of the number of students who pay tuition fees.

## **2. Objectives**

The general goal of the present work is to provide an overview on the accounting instrumentation of the financing from post-accession non-refundable external funds in the case of educational public institutions. The present study propounds the solution of the University of Craiova, that is to say, the accounting capitalization on the financing facilitated by the contracts assumed as sole beneficiary of structural funds, partnership leader of just simple member within operational programs.

### 3. Methodology

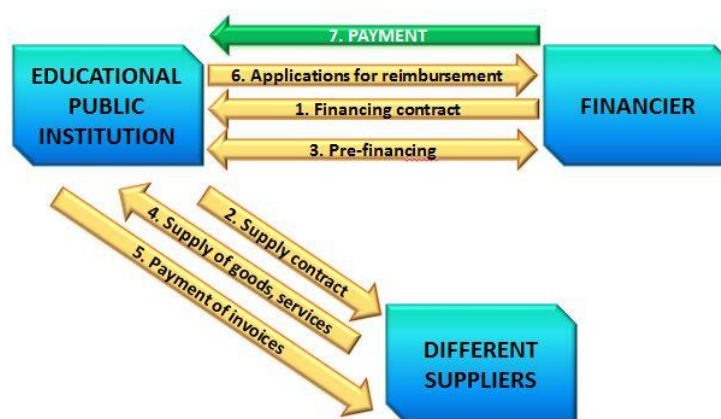
This research is intended to be a continuation of the issues presented and discussed previously in another paper, starting from the premise that the accounting reflection of financing facilitated by accessing structural funds is a complex challenge that cannot be the topic of a just one paper. In consequence, if the core of the previous article was the mechanism for the reimbursement of payment claims, the present article is focused on the *mechanism for reimbursement applications*, bringing new information rich in pragmatic potential in order to complete the previous research.

The research methodology is based mainly on the *pragmatic* research conducted on the one hand by observing operational procedures disseminated by different Romanian educational public institutions and on the other hand by raising questions regarding the accounting reflection of operations specific to operational programs based on the example of the University of Craiova as public beneficiary of non-refundable external funds on the principle of full or partial reimbursement of expenses.

### 4. Mechanism for Reimbursement Applications

The projects financed by the post-accession non-refundable funds are based on the principle of *full or partial reimbursement of expenses*, a principle whose bedrock is a 7-step mechanism which can be observed in Picture no. 1:

- *Step 1* – the bedrock of the mechanism for reimbursement applications is the **financing contract** concluded between the financier and the educational public institution as beneficiary;
- *Step 2* – in its turn, the university concludes **contracts with different goods suppliers**, service providers or contractors;
- *Step 3* – meanwhile, the collection of a **pre-financing** or advance payment from the European Commission can occur, with the mention of repeated deduction by applying a certain percentage to the value of the reimbursement claims transmitted by the university;
- *Step 4* – the conclusion of contracts with third parties determines **the supply of goods, the execution of works and the delivery of service** and implicitly the issuing of invoices for their equivalent value or price;
- *Step 5* – out of either the pre-financing sums of money or own revenues, by case, the educational public institution **reimburses invoices** issues by third parties;
- *Step 6* – based on the documents that certify the payment of invoices, the university elaborates the **application for reimbursement** that submits to the financier;
- *Step 7* – at a certain interval of time, after having paid the reimbursement claims the higher education public institution shall recover part of the financial resources used for the payment of sums due.



Picture no. 1 – Circuit of reimbursement applications elaborated by educational public institutions as beneficiaries of post-accession non-refundable funds

Source: Own projection

As it can be noticed, the mechanism for reimbursement applications involves payments made by the public institution of academic education and subsequently the reimbursement claim for the upfront sums of money, on the basis of the reimbursed documents and those certifying the payment.

Reinforcing the above-mentioned idea, in order to ensure the resources necessary for the start of projects, the university, through the members of the project teams, can elaborate *pre-financing applications*, requiring upfront sums of money. In case the beneficiary doesn't elaborate and nor does he submit an application for reimbursement before deadline in accordance with the financing contract, the collected pre-financing must be returned either to the Authority for Management or the Authority for Certification and Payment, respectively. [1]

Regarding the *applications for reimbursement*, it's very important to know that through these applications the university claims only eligible expenses within projects in accordance with the approved budgets, incurred and paid expenses within the eligibility period, for which there are justifiable, verifiable and auditable documents. [2]

Although, in Romania of our days, the projects financed by post-accession non-refundable funds are an important additional source of financing for educational public institutions, we must also take into account the fact that, in some cases, a significant temporal gap might occur between the moment of the payment of expenses and the moment of their full or partial reimbursement, in which case the university has to possess resources throughout the reimbursement period. [3]

## 5. The Accounting Instrumentation of Financing Through Post-Accession Non-Refundable Funds on the Example of the University of Craiova

Hereinafter, in order to highlight the accounting instrumentation and reflection of operations specific to projects financed by post-accession non-refundable funds, we shall bring to light the case of the University of Craiova as educational public institution.

Between 2009 and 2015, the University of Craiova accessed structural funds, totaling 74 projects out of which: 59 projects financed by the European Social Fund and 15 projects financed by the European Regional Development Fund. In 2015, the institution implemented 20 projects, out of which: 16 of POSDRU type, a POR one type, a POS CCE type and 2 projects of European territorial cooperation.

For all these projects a *distinct accounting* is ensured, divided into activities and cost centers, which allows the use of analytical accounts for each project. [4] Also, the *connection with the budget execution* is permanently ensured because all operations that involve collections and payments, but also revenues and expenses concerning the operational programs are recorded within the subdivisions of the enforced budgetary classification.

Hereinafter we shall debate over the accounting reflection of operations specific to operational programs in three cases, as follows:

### Case 1 – University of Craiova – sole beneficiary

- a) Collection of down payment or pre-financing:
- |   |   |  |
|---|---|--|
| 560 01 01<br>”Cash of public institutions<br>financed in full by own capital – Treasury’s<br>current capital”<br>Classification: 45.10.xx.03 ”Pre-<br>financing”<br>where xx is 01 for ERDF and 02 for<br>ESF | = | 458 05<br>”Advances from the Management<br>Authorities/ Certification Authorities/<br>Payment Offices” |
|---|---|--|
- b) Payment of expenses, with the mention that the contribution of the University of Craiova shall be made from its own revenues:
- |   |   |   |
|---|---|---|
| %<br>401 01 00<br>”Suppliers under 1 year”<br>404 01 00<br>”Suppliers of fixed assets under 1 year”<br>6xx<br>Sundry expenses | = | 770 00 00<br>”Budgeted financing”<br>Classification:<br>56.xx.01 ”National financing”<br>56.xx.02 ”NEF”<br>56.xx.03 ”Ineligible expenses”<br>where xx is 01 for ERDF and 02 for ESF |
|---|---|---|
- c) After having made the payments, the University of Craiova can claim the European Commission on the payments made on point 56 ”Projects with financing from post-accession non-refundable funds” for the share in the eligible expenses regarding the post-accession non-refundable funds:

450 05 05	=	473 01 03
”Amounts receivable from the European Commission as revenues of the general consolidated budget – public institutions financed by own funds–post-accession NEF”		”Suspense account – NEF operating debts/receivables”

d) The application for reimbursement is registered, making a division between sums of the post-accession non-refundable funds and sums representing the national contribution, as follows:

- Amounts regarding post-accession non-refundable funds:

458 03 01	=	775 00 00
”Amounts receivable from the Certification Authorities/ Management authorities – POST-ACCESSION NEF”		”Post-accession NEF financing” Classification: <i>45.10.xx.01 ”Amounts received in the account of payments made hoc anno”</i> <i>45.10.xx.02 ”Amounts received in the account of payments made in the previous years”,</i> <i>where xx is 01 for ERDF and 02 for ESF</i>

- Sums regarding budgeted funds:

458 03 02	=	778 00 00
”Amounts receivable from the Certification Authorities/ Management authorities – BUDGETED FUNDS”		”Revenues from the national contribution for programs/projects financed by NEF” Classification: <i>42.00.39 ”State budget subsidies for institutions financed in full by own capital, for projects financed by post-accession NEF”</i>

- At the same time, the obligation of the University of Craiova towards the European Commission is extinguished, by inverting the operation on point c), as follows:

473 01 03	=	450 05 05
”Suspense account – NEF operating debts/receivables”		”Amounts receivable from the European Commission as revenues of the general consolidated budget – public institutions financed by own funds–post-accession NEF”

- In case pre-financing has been previously collected, its percentage deduction is booked from sums due:

458 05	=	458 03 01
”Advances from the Management Authorities/ Certification Authorities/ Payment Offices”		”Amounts receivable from the Certification Authorities/ Management Authorities – POST-ACCESSION NEF”

e) When the reimbursement of claimed amounts is made, the following, the following book entries take place:

560 01 01	=	458 03 01
”Cash of public institutions financed in full by own capital – Treasury’s current capital” Classification: <i>45.10.xx.01 ”Amounts received in the account of payments made in the current year”</i> <i>45.10.xx.02 ”Amounts received in the account of payments made in the previous years”, where xx is 01 for ERDF and 02 for ESF</i>		”Amounts receivable from the Certification Authorities/ Management authorities – POST-ACCESSION NEF”

560 01 01	=	458 03 02
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Amounts receivable from Certification Authorities/ Management Authorities– BUDGETED FUNDS”
Classification:		
<i>42.00.39 ”State budget subsidies for institutions financed in full by own capital, for projects financed by post-accession NEF”</i>		

**Case 2 – University of Craiova - partnership leader**

a) The collection of the pre-financing in the leader account with its 5014.01 IBAN symbol:

- Sums due to the University of Craiova as partnership leader:

560 01 01	=	458 05
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Advances from the Management Authorities/ Certification Authorities/ Payment Offices”
Classification:		
<i>45.10.xx.03 ”Pre-financing” where xx is 01 for ERDF and 02 for ESF</i>		

- Sums due to partners:

560 01 01	=	458 05
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Advances from the Management Authorities/ Certification Authorities/ Payment Offices”
Without classification		

b) The transfer of the pre-financing from the leader account (IBAN 5014.01) to the university’s own accounts as well as to partners’ accounts:

- Sums due to the University of Craiova as partnership leader:

560 01 01	=	458 05	Amount in red for
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Advances from the Management Authorities/ Certification Authorities/ Payment Offices”	IBAN account
Classification			5014.01 and
<i>45.10.xx.03 ”Pre-financing” where xx is 01 for ERDF and 02 for ESF</i>			amount in black
			for university’s
			own funds

- Sums due to partners:

461 01 03	=	560 01 01
”Debtors under 1 year – NEF operating receivables”		”Cash of public institutions financed in full by own capital – Treasury’s current capital”
		Without classification

c) Payment of expenses from the budget of the university – as partnership leader – with the mention that the contribution shall be paid from own revenues:

%	=	770 00 00
401 01 00		”Budgeted financing”
”Suppliers under 1 year”		Classification:
404 01 00		<i>56.xx.01 ”National financing”</i>
”Suppliers of fixed assets under 1 year”		<i>56.xx.02 ”NEF”</i>
6xx sundry expenses		<i>56.xx.03 ”Ineligible expenses”</i>
		<i>where xx is 01 for ERDF and 02 for ESF</i>

d) After having made the payments, the University of Craiova can claim the European Commission on the payments made for the share in the eligible expenses regarding the post-accession non-refundable funds:

450 05 05	=	473 01 03
” Amounts receivable from the European Commission as revenues of the general consolidated budget – public institutions financed by own funds–post-accession NEF”		” Suspense account – NEF operating debts/receivables”

e) The application for reimbursement is registered for both the University of Craiova and for its partners, making a clear separation between the sums of money from the post-accession non-refundable funds and the sums of money that come as national contribution, as follows:

- Sums regarding post-accession non-refundable funds:

458 03 01	=	%
”Amounts receivable from the Certification Authorities/ Management authorities – POST-ACCESSION NEF”		775 00 00
		”Post-accession NEF financing ”
		Classification:
		<i>45.10.xx.01 ” Amounts received in the account of payments made hoc anno”</i>
		<i>45.10.xx.02 ” Amounts received in the account of payments made in the previous years”,</i>
		<i>where xx is 01 for ERDF and 02 for ESF</i>
		462 01 03
		”Creditors under 1 year – NEF operating debts”

- Sums regarding budgeted funds:

458 03 02	=	%
” Amounts receivable from the Certification Authorities/ Management authorities – BUDGETED FUNDS”		778 00 00
		”Revenues from the national contribution for programs/projects financed by NEF”
		Classification: <i>42.00.39 ”State budget subsidies for institutions financed in full by own capital, for projects financed by post-accession NEF”</i>
		462 01 03
		”Creditors under 1 year – NEF operating debts FEN”

- The university’s obligation towards the European Commission is extinguished as follows:

473 01 03	=	450 05 05
”Suspense account – NEF operating debts/receivables”		”Amounts receivable from the European Commission as revenues of the general consolidated budget – public institutions financed by own funds–post-accession NEF”

- The deduction of the pre-financing granted to partners from sums due is registered as follows:

462 01 03	=	461 01 03
”Creditors under 1 year – NEF operating debts”		”Debtors under 1 year – NEF operating receivables”

- The deduction of the pre-financing is registered based on the application for reimbursement submitted by the University of Craiova and its partners:

458 05	=	458 03 01
”Advances from Management Authorities/ Certification Authorities/ Payment Offices”		”Amounts receivable from the Certification Authorities/ Management authorities – POST-ACCESSION NEF”

f) When the sums of money validated on reimbursement in the leader account (IBAN 5014.01) are collected, the following entries take place:

560 01 01	=	458 03 01
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Amounts receivable from the Certification Authorities/ Management authorities – POST-ACCESSION NEF”
Classification:		
<i>45.10.xx.01 ”Amounts received in the account of payments made hoc anno”</i>		
<i>45.10.xx.02 ”Amounts received in the account of payments made in the previous years”, where xx is 01 for ERDF and 02 for ESF</i>		

560 01 01	=	458 03 02
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Amounts receivable from the Certification Authorities/ Management authorities – BUDGETED FUNDS”
Classification:		
<i>42.00.39 ” State budget subsidies for institutions financed in full by own capital, for projects financed by post-accession NEF”</i>		

g) Transfer of sums reimbursed from the leader account (IBAN 5014.01) to the university’s own accounts – as partnership leader – as well as to partners’ accounts:

- For amounts due to the University of Craiova:

560 01 01	=	458 03 01	Amount in red
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Amounts receivable from the Certification Authorities/ Management Authorities – POST-ACCESSION NEF”	for IBAN
Classification:			account 5014.01
<i>45.10.xx.01 ”Amounts received in the account of payments made hoc anno”</i>			and amount in
<i>45.10.xx.02 ”Amounts received in the account of payments made in the previous years”, where xx is 01 for ERDF and 02 for ESF</i>			black for
			university’s
			own funds

560 01 01	=	458 03 02	Amount in red
”Cash of public institutions financed in full by own capital – Treasury’s current capital”		”Amounts receivable from the Certification Authorities/ Management authorities – BUDGETED FUNDS	for IBAN
Classification:			account 5014.01
<i>42.00.39 ” State budget subsidies for institutions financed in full by own capital, for projects financed by post-accession NEF”</i>			and amount in
			black for
			university’s own
			funds

- Sums due to partners:

462 01 03	=	560 01 01
”Creditors under 1 year – NEF operating receivables”		”Cash of public institutions financed in full by own capital – Treasury’s current capital”
		Without classification

### Case 3 – University of Craiova partner

In this last case, for the accounting reflection of reimbursements of the University of Craiova towards the partnership leader, the following specific accounts are used: 461 01 03 „Debtors under one year – NEF operating receivables” and 462 01 03 „Creditors sub 1 an – NEF operating debts”.

## 6. Conclusions

As an additional source for financing, the projects financed by post-accession non-refundable funds have nowadays a significant impact on the educational public institutions of our country and implicitly on their accounting.

We consider that the accounting reflection of these projects in the bookkeeping of higher state education institutions, confers significant particularities through several elements such as: project type, fund of its financing, quality of the university within the project (sole beneficiary, partnership leader or just simple partner), support for the start of specific activities based on pre-financing or own resources - all this under the impact of the permanent link with the budgetary execution.

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