ACCOUNTING TREATMENT OF THE FINANCIAL INCOMES AND EXPENSES

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Abstract
The possibility of appearance of temporarily available capital determines a number of economic operations of placing them, operations that give content in business operations. The financial result, used as a measure of performance or as a reference for other indicators is presented using two types of structures: expenditure and revenues. The definitions of revenues and expenditure capture their essential characteristics, but they must complete by the criteria that must be met in order to be recognized in the profit or loss account. Revenues constitutes increases in economic benefits during the accounting period in the form of inflows or increases in assets or decreases in liabilities, which is reflected in increases in equity other than those resulting from contributions by investors. Financial expenses comprise in their structure the receivables related to equity losses, expenses on disposal of financial investments, unfavorable foreign exchange differences, interest on the current financial year, discounts to customers, receivables from financial losses.

1. General presentation of financial expenses and income

Financial income and expenses of companies are generated by financial and economical operations. Regarded by the frequency of the operations that gives rise, the financial expenditure and revenues of companies belong to the current activity and are reported in this way, with operating income and expenses through profit or loss account.

The structure of financial revenues and expenses is determined by the nature of the operations they are generated by and their effects on the treasury.

If we consider the nature of the operations that generate them, we found the following types of financial income and expenses:

-from financial assets;
-of short-term investments;
-from operations generating foreign exchange differences
-of interest;
-of discounts;
-from other financial or economic operations.

If we consider the effects on cash companies, are distinguished:

- actual income and expenses, ie those found in the current year, received or receivable or paid or payable. From a financial perspective these revenues and expenditures generate cash flows in the form of receipts/payments;
- revenues and expenses calculated, ie those found in the current year, the amount determined based on calculations and we generate/commit cash flows (receipts or payments).

Returning on the structure of financial revenues and expenses regarded as nature of the operations that generated they are customized for each structure mentioned the fact that the operations in question generates one or more categories of income and/or expenses. So:

- some operations generate both revenue and expenses. For example, financial assets generate income from dividends from the sale of shares of adjustments for impairment and disposal charges occasions (cost actions) and finding the loss of value;
- other operations only generate revenue or expenditure occasions only. For example, loans to related parties as income generating interest due and loans received occasions as accrued interest expenses;
- other operations generate revenues or expenses occasions. For example, the settlement of foreign currency amounts can generate revenues from exchange rate differences and expenses from foreign exchange differences according to the settlement rate to the rate of registration;
- there are operations that, although generate income and expenses. Accounting records only financial result as earnings when revenues are greater than the losses, or losses as when expenses are greater than income. For example, short term disposal of an investment in shares.

2. Accounting treatment of expenditure and income by type of operations they generate

2.1. Income and expenses from financial assets

Financial assets represent financial amounts invested in the capital of other companies and claims attached financial amounts invested as follows: shares in affiliates, participating interests, investments held as assets, loans to affiliated entities and entities which hold participating interests, shares affiliated entities. They are called equity or equity holdings in affiliates for purposes other than getting dividends. These shares shall entitle the investor to significantly intervene in the management of the investee entity affiliated, meaning participation of its take strategic decisions.

Note that the year in which the investment is made, the investor benefits from the advantages of shareholder throughout the year regardless of the date of their acquisition. As such, investor reveals fully charged or received as dividends from financial income.

Participating interests are securities holdings in associated companies to obtain financial income as dividends and ensuring contribution to activities of such companies with investor can interfere in their management.

Investments held as fixed assets are securities held for a long period in the capital of other entities various affiliates and associates. They can be acquired through purchase or by contribution law. During their detention financial imobilizăile generate financial income as dividends. At the end of each financial year, during the annual inventory, financial assets may give rise to financial expenses in the form of adjustments for impairment or financial income from adjustments for impairment.

On the disposal of financial assets, financial investor recognizes revenue from the sale price of the securities and, simultaneously, financial expenses at their cost.

Specific accounts used are:

- Securities accounting for financial assets: 261 "Shares in affiliates" 263 "Investments in associates" and 265 "Other long term investments";

- Accounting for revenue and financial expenses 761 "Income from financial assets 764" Income from disposal of financial investments "and 664" Expenses on disposal of financial assets; 6863 "Financial expenses for impairment value adjustments of financial assets" and 7863 "Financial income from adjustments for impairment of financial assets".

Long-term loans granted to entities that have invested in financial values, also called receivables, generates only financial income as interest.

Unlike income from dividends that are income to the investor vary from one financial year to another, interest income is fixed, regardless of the borrower's financial results.

Interest income is constituted in accordance with the principle of independence of the year in proportion to the use of the borrower, regardless of their date of receipt.

Specific accounts used:

- Accounting for receivables on loans 267 "Claims assets, with two distinct sub-grade for receivables from loans and related interest due (2671-2678) and 453;

- Interest income 763 "Income from receivables".

Examples:

1. There are purchased and are paid 10.000 actions, the acquisition cost being 5 lei/action:

261	=	269	50.000
269	=	5121	50.000

2. There are collected all dividends for the 2015 year:

5121	=	761	10.000

2.2. Income and expenses from short-term investments

Short-term investments are securities held by a company in order to secure the fulfillment of commitments in the short-term cash by converting their easy cash on the stock market and gains from trading them at a higher price higher than the purchase price.

Distinct, while holding their short-term investments generate financial income as dividends or interest depending on how the investments made and the length of time during which they are held.

The structure of short-term investments comprise short-term actions, bonds issued and redeemed bonds, other short-term investments.

a) Short-term actions are short-term securities held to affiliates. They generate the following financial income and expenses: while holding, whether they are held until the end of the financial year, generating financial income as dividends; at the end of each financial year may cause financial expenses and income from their inventory assessment, the difference between the carrying value and inventory; the failure can be achieved financial income and expenses as financial gains or losses, as the difference between the transfer price and their book value.

Specific accounts used:

- Accounting shares: 501 "Shares in affiliates" 509 "Payments made for short-term investments";

- Accounting for revenue while holding shares: 762 "Income from short-term financial investments;

- Financial accounting for revenue and expenditure at year end inventory; 668 "Other financial expenses" and 768 "Other financial income" or 686 "Financial expenses adjustments for impairment of current assets" and 7864 "Financial income from adjustments for impairment of current assets" as actions or not listed;

- Accounting for revenue and expenditure fail: 7642 "Gain on disposal of short-term investments" and 6642 "Losses from disposal of short-term investments."

b) Bonds issued and redeemed

Sometimes, financial considerations, companies that have issued bonds and long-term borrower decides to redeem them before maturity to cancel.

In issuing the bond loan is highlighted in account 161 "Loans from the bonds" value repayment of the bonds and accounts 461 "Sundry debtors" to the value of the issue and 169" Premium on redemption of bonds "the difference between the redemption value and the value issuance of bonds. Bond issuance expenses are recorded as an intangible asset account 201 "Formation expenses".

At maturity loan rates rates shall be reimbursed and paid interest due, and at the end of each year that company records the expense: the first repayment of bonds, amortization of bond issuance costs and annual interest due.

On redemption, the bonds are recorded in account 505 "Issued and redeemed bonds" redemption value. The difference between the surrender value and the redemption value is considered gain redemption (account 7642 "Gains from investments in short-term marketable") or loss on redemption (account 6642 "Losses from short-term investments ceded") as redemption value it is lower or higher than the reimbursement.

Simultaneously with the cancellation of repurchased bonds must register expensed unamortized bond premium and reimbursement of expenses unamortized bond issuance.

c) Bonds

Short-term investments in bonds generate financial returns for the investor as interest if held to maturity annual coupons attached (maturity of collecting interest).

At the annual inventory, short term bonds still held, can generate financial expenses and income gap between asset value (value of trading bonds admitted to trading on a regulated market or probable negotiation value for unlisted bonds) and book value.

On the disposal of bonds can be realized financial gains if the sale price is higher than the book value, or financial loss if the sale price lower than the carrying amount east.

Specific accounts used:

- Accounting for bonds: 506 "Bonds";

- Accounting for expenses and financial income in assessing the inventory of bonds: 668 "Other financial expenses" and 768 "Other financial income" for the bonds listed or 6864 "Financial expenses adjustments for impairment of current assets" and 7864 "financial income from adjustments for impairment of current assets in unlisted bonds;

- Accounting for revenue and expenditure fail: 7642 "Gains from investments short-term marketable" and 6642 "Losses from disposal of short-term investments."

d) Other short-term investments

In this structure include term investments that have a low frequency and / or a small share. Examples of such investments mention: treasury bills, certificates of deposit, warrants, options contracts etc.

Treasury bills are securities issued by the state for a period of up to one year in order to ensure available cash to its current liabilities. They are issued at an issue price (selling price) lower than the redemption price (nominal value), the difference representing the gain investor.

Certificates of deposit are securities issued by the state or by banks for up to one year. Financial income they generate for the investor as interest payable at maturity certificates.

Examples:

1. The redemption obligations at repurchase price of 13 lei/obligation:

505	=	5121	130.000

2. Canceling repurchased bonds:

%	=	505	130.000
161			80.000
6642			50.000

2. 3. Income and expenses from foreign exchange differences

Are generated by daily fluctuations of exchange rates and, therefore, are calculated for all assets and liabilities in foreign currency. Some of them are calculated during the reporting periods, others at the end of reporting periods.

During the reporting periods ie the months of the year, foreign exchange differences are calculated when conducting settlement of receivables and payables in foreign currencies. The calculation of exchange rate in this category is the difference between the exchange rates on the date of receipt of receivables or payment of debts and exchange rate at the date of their creation or the end of the previous month if the date of constitution of receivables or debt, preceded the previous month.

It follows that when a receivable or liability is settled in foreign currency during the same month that was formed around the exchange difference is recognized in that month. When the debt or foreign currency debt is settled in a month later, the exchange difference recognized in each month following is calculated based on the exchange rate of the last banking day of the current month and the exchange rate on the last day of month previous respective settlement date of the exchange rate and the exchange rate of the last working day of the preceding month.

At the end of reporting periods, ie each month and hence the financial year, foreign exchange differences arise from the need to update the balance in lei currency receivables, liabilities and cash in foreign currency.

The calculation of exchange rate at the end of reporting periods is the difference between the present value of the balance in lei of items listed in currency and lei existing value in the balance. Present value in lei corresponding value exchange rate on the last day of month.

Regardless of where or for which period is calculated, exchange differences may be favorable or unfavorable. To claims in foreign currency exchange differences when exchange rates are favorable settlement date is higher than that of its establishment or the end of the previous month for claims previously established. In the reverse situation is unfavorable exchange differences.

If debt in foreign currency exchange differences when exchange rates are favorable to their settlement date is lower than that of its establishment or the end of the previous month to its previously established debt. In the reverse situation is unfavorable exchange differences.

If cash foreign currency exchange differences are calculated at the end of each month with the updating of the balance in their foreign currency lei. They are favorable when the present value in lei at the end of the corresponding rate is higher than the existing value in lei in balance and reverse the unfavorable situation.

With some exceptions on short-term investments outstanding at the end of the month, traded on a regulated market, all exchange differences favorable increase the existing value in lei of claims, liabilities or cash in foreign currency and, accordingly, increased financial income (cont 765 "Income from foreign exchange differences"). Unfavorable differences diminish the existing value in lei of claims, liabilities or cash in foreign currency and, accordingly, increased financial expenses (account 665 "Expenses from foreign exchange differences").

Examples:

1. The delivery of goods to external customers:

411	=	%	45.100
		707	44.700
		472	400

2. The receipt of the value of goods sold to external customers at the rate of 4.51 lei/euro

5124	=	%	45.500
		4112	44.700
		765	800

2.4. Interest income and expense

They are generated or incurred for financial operations, banking, trade and assimilated, made by companies. Examples of such operations: grant-receiving money loans between companies, sale and purchase of goods on trade credit. It is understood that when it comes to relationships between two people, one who advances funds levy and collect interests (financial income) during the immobilization of funds, and the receiving fund pays interest (financial expenses) during the use of funds received. Fiecăreria in the accounts of the two companies Financial income from interest is recorded in account 766 "Interest income" and financial costs account interest 666 "Interest expense".

Interest income and expense recognition is the principle-based accounting and collection - interest payments as agreed by the parties: rates on loans with maturities money, on receipt - payment of goods etc.

The main problem of interest income and expenses is their calculation, which is based on the length of operations that generate them and the maturity date or maturities loan rates.

2.5.Income and expenses from discounts

Are generated from the sales and purchase of financial discounts from suppliers and customers of financial transactions carried out with banks and various creditors or debtors are granted or obtained discounts.

Financial income and expenses from discounts are accounted for using the account 767 "Income from discounts obtained" 667 "Expenditure on discounts granted."

Price reductions of financial providers are granted to customers to pay debts before the deadline chargeability. These reductions are agreed typically in commercial contracts in two ways:

- Recorded in the original invoice;
- Subsequently granted invoicing goods.

To differences of commercial discounts price (except those granted-received after invoicing), which is not accounted for nor the supplier nor the buyer, financial cuts price is booked to the supplier and the buyer using the account specified 667 and 767.

Discounts settlement of operations carried out with banks. The most representative case is the settlement operations with bills drawn forward and submitted for cashing (discounting) before the due date. In financial language discounting operation is referred to as the mobilization trade credit as a result of processing receivables into cash before the payment deadline.

By discounting bank pays the seller conditioning bills face value less the bank commission and discounting proper settlement (accrued interest for the period from paying bills to its maturity.

Settlement discount is calculated based on the interest rate formula:

$$\text{Rediscount rate} = (\text{Interest rate} \times t) / T$$

in which

t = number of days from the date of actual payment until maturity;

T = number of calendar days in a year.

Conditional payment by the bank of the effect of trade must be understood as lending. Although the bank has counterpart claim ownership, vendor bills remain liable to the bank, if the drawee has matured financial difficulties.

As a result, the bank recovers its effect nominal value from the seller, are expected to follow the path of protesters (suing in the courts of the drawee).

2.6. Other financial income and expenses

This category includes, according to accounting rules, the following: differences favorable or unfavorable to assets and internal debt denominated in lei whose settlement is based on a foreign currency resulting from their valuation at the end, at the close of the financial year, or at their settlement; favorable or unfavorable differences from valuation at year-end short-term securities admitted to trading on a regulated market.

Differences related receivables and payables internal expressed in lei whose settlement is based on the rate of a currency is calculated similar exchange differences related to assets and liabilities denominated in foreign currencies, but their accounting is done using accounts: 768 "Other financial income" and 668 "Other financial expenses".

For those differences, results from assessments at the end, namely the closure of the financial year or during the settlement of their supplier/creditor is obliged by law to issue invoice.

Conclusion

The economic potential of each enterprise, in any form of organization or the business, is the consequence of echnical, productive, commercial or managerial potential tthereof and will be characterized by its ability to create revenue as the sole source of covering the expenses they carry. In a modern economy, the issue of ongoing assessment of needs and resources, knowledge and human constant effort resulted in material costs along with final financial effect resulted in revenue is a vital needs for exerting effective managerial acts.

The movements and transformations of patrimonial assets and liabilities as a result of events and transactions that occurred in conducting a business, generate inter-conditionings, causation, causing interference between expenditure and revenue resulting the financial results of the undertaken.work. In tackling recognition of revenues and expenses have gone from two general accounting principles: recognition of revenue and expenses- revenues connection. The first principle states that when revenue should be recognized, and the second moment of recognition of expenses. This second principle is actually a consequence of applying the first and asking to clarify first time recognition of revenue and expenses recognized only after that time.

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