Accounting, in the order it happens

A book about Romanian accounting, organized not by textbook chapters but by the accounting cycle — the real journey of a sum, from the document received to the filed balance sheet.

> Textbooks teach accounting by topic: accounts, then VAT, then payroll. Practice doesn't work that way. A company goes through the same sequence every month, in the same order, and each step depends on the one before it.
>
> The book follows the sequence. Each part is a phase of the cycle; each chapter answers a question you ask yourself at exactly that moment, not three months earlier.
>
> Revised professional edition, with legislation verified as of August 27, 2026. Scope: Romanian entities applying the accounting regulations approved by OMFP no. 1.802/2014; IFRS treatments, the public sector, and non-profit organizations require distinct rules.

WHAT THE BUSINESS OWNER LEARNS	WHAT THE ACCOUNTANT LEARNS
What happens to the documents they bring in, why they're required, and how to read the figures that come out at the end. No formulas.	The accounting treatment behind every transaction, the legal basis, and the checks that catch an error before it reaches a declaration.

PART I

Why accounting looks the way it does

BEFORE ANY FIGURE

The part missing from most textbooks: what question all this work actually answers. Without it, the rest looks like bureaucracy.

1 **Two questions, and neither about accounts**
How much did I earn? What do I have and to whom do I owe it? Everything that follows serves these two questions.

2 **Why every sum is written twice**
Double-entry bookkeeping isn't a bureaucratic convention but a built-in check: every movement has a source and a destination.

3 **The drawers: the chart of accounts**
Why 4111 means "customers" and 401 means "suppliers" — a vocabulary to learn, not a list to memorize.

4 **Who is responsible for the figures**
The business owner brings the documents and knows the business. The accountant verifies, signs, and bears professional responsibility. Neither replaces the other.

5 **The accounting cycle: the map of the book**
The fourteen phases, in the order they're carried out, and why the order isn't negotiable.

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Opening the fiscal year

PHASE 1

Done once a year and rarely revisited — but if it's wrong here, nothing that follows can be easily corrected.

6 **The company and its regimes**
VAT payer or not, corporate income tax or micro-enterprise tax: this choice determines which declarations you owe all year.

7 **The opening trial balance**
Where you start from, when the company isn't in its first year. Taking over balances from another program, account by account.

8 **The equality that must hold from day one**
Total debit = total credit. An unbalanced opening trial balance can never be closed.

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PHASE 2

The only entry point. The rule that organizes the whole book: nothing enters the accounts except through a supporting document.

9 **Nothing enters without a document**
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10 **From paper to journal entry**
Which account is debited, which is credited, with what amount — and how to read a journal entry without knowing the formula.

11 **The vocabulary of situations**
Over a hundred and twenty typical transactions, grouped by family: sales, purchases, treasury, payroll, fixed assets, adjustments.

12 **Draft, validated, approved, posted**
The separation between who enters and who takes responsibility. Only what's posted enters the accounts.

13 **The checks at the door**
Does the arithmetic add up? Is the rate correct? Is the period open? Is the partner known? Isn't the document already recorded?

14 **The invoice you issue**
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22 **The rights you lose if you don't claim them**
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47 **The annexes**
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48 **The four consistencies to check before signing**

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55 **Working papers and professional review**

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APPENDICES

Annexes

TO BE USED, NOT READ

A **The chart of accounts, by class**

With plain-language explanations for the accounts a small company actually touches.

B **Accounting treatments: frequent situations**

From a goods invoice to reactivating a lost receivable, each with the complete journal entry — generated from the application, not written by hand.

C **The fiscal calendar**

What's filed, by when, and by whom — by regime.

D **Glossary: accounting term ↔ plain language**

"Journal entry" means a recorded transaction. "To reverse" means to cancel correctly. Plus the everyday vocabulary of declarations.

E **Consistency checks**

The short list to run through before every filing, in the order that catches the most errors.

F **Legislative map and update protocol**

Official sources, their hierarchy, the volatile values as of August 27, 2026, and the procedure by which the book stays current without mistaking a press release for the law.

Structure — 12 parts, 55 chapters, 6 annexes. The first 11 parts follow the accounting cycle; part XII documents the professional judgment that runs through all the phases.

The two levels — The base text is written for someone with no accounting background. Where the subject requires it, the chapter continues with the treatment, the legal basis, and the corresponding check, marked separately, so the two readings don't get mixed up.

The two marked chapters — Chapters 29 and 33 are the ones I would write first: “you reverse it, you don't delete it” and “balanced doesn't mean correct.” Both go against intuition, and both explain errors that go unnoticed for months on end.

Chapter 1

Two Questions, and Neither Is About Accounts

A business owner who calls the accountant at the start of the month never asks what the balance of account 4111 is. They ask a single thing, in two forms: "did I make money last month?" or, more briefly, "how are we doing?"

The question seems like one. It's actually two, and they have different answers, calculated differently and read from different documents. All of accounting — the chart of accounts, double-entry bookkeeping, the fourteen stages in this book's table of contents — exists to answer them. They deserve to be named from the very first chapter, since everything else serves them.

First, Why It's Not Enough to Look at the Bank Account

The most natural reflex is to open the banking app. If you have more today than a month ago, it was a good month. It's an honest tool and everyone uses it — but it answers something other than what you think.

Let's take a trading company, in an ordinary month. It started the month with 30,000 lei in the account. It bought goods worth 60,000, which the supplier extended on credit. It sold all those goods for 100,000. Of the 100,000 invoiced, customers had paid only 40,000 by the end of the month — the rest is due the following month. Of the 60,000 debt owed to the supplier, the company paid 55,000.

WHAT HAPPENED IN THE BANK ACCOUNT

Movement	Lei
Balance at start of month	30.000
Collected from customers	+40.000
Paid to supplier	−55.000
Balance at end of month	**15.000**

The money in the account decreased by 15,000 lei.

Looking only at the bank account, the month looks bad: you started with 30,000 and ended up with 15,000. And yet the company sold, for 100,000, goods that had cost it 60,000. It earned, that month, 40,000 lei.

Both statements are true at the same time. The money decreased by 15,000 and the earnings were 40,000. It's not a contradiction, nor an accounting subtlety: they are simply the answers to two different questions.

The First Question: How Much Did I Earn?

The earnings of a period are measured by matching what you sold against what it cost you to sell it — regardless of when the money comes in or goes out.

In our example: you sold 100,000 worth, those goods had cost you 60,000, so you earned 40,000. The fact that a customer pays you three weeks later doesn't change in any way the reality that the goods left the warehouse and the company has a right to the money. Nor does the fact that you still owe the supplier 5,000 change how much the goods cost you.

The document that answers this question is called the income statement. It's a list with two columns for a given period: what came in as value (revenues) and what was consumed to bring it in (expenses). The difference is the result.

> ***Earnings are measured over a PERIOD — a month, a year. It makes no sense without stating for how long.***

The Second Question: What Do I Have and to Whom Do I Owe It?

The second question isn't about a period, but about a moment. On the 31st of the month, what is in the company, and who has claims on what is there?

The company in the example has, at the end of the month, 15,000 lei in the account and 60,000 to collect from customers — so 75,000 lei in total. The goods are gone, they've been sold. Of the 75,000, five thousand are not actually the company's: they are owed to the supplier. The remaining 70,000 belong to the business — the 30,000 put in at the start plus the 40,000 earned during the month.

WHERE THE COMPANY STANDS ON THE 31ST OF THE MONTH

What the Company Has	Lei	Who Has Claims	Lei
Cash in account	15.000	Debts to supplier	5.000
To collect from customers	60.000	Money put in by the business owner	30.000
		Earnings for the month	40.000
Total	**75.000**	**Total**	**75.000**

The two columns are equal. Not by chance — everything that is in the company comes from somewhere, and every leu has an owner: either a creditor, or the business owner.

The document that answers this is called the balance sheet. It's not a report on how things went, but a snapshot: as of this date, this is what you have and this is what you owe.

> ***Position is measured at a DATE. It makes no sense without stating which day.***

The Two Questions Meet at a Single Point

Look again at the right-hand column of the table above. The month's earnings, the 40,000, appear there. It's not a coincidence of page layout: the earnings from a period increase, by exactly that amount, what remains the business owner's.

That's the link between the two documents, and it's the only one that matters at the start: the income statement explains why the company's wealth is different today than it was at the beginning of the period. One tells you how much, the other tells you why.

That's why you can't choose only one. A business owner who looks only at earnings can end up going bankrupt with profit on paper, because the money comes in later than it goes out. One who looks only at the bank account may think a month in which they invested went badly, or that a month in which they collected on old debts went well.

FOR THE ACCOUNTANT

What is called above "regardless of when the money comes in" has a name in the regulations: accrual accounting. Revenues and expenses are recognized when the transactions occur, not when cash is received or paid, and the result is attributed to the financial year to which it belongs — the principle of period independence (independența exercițiului). The two documents in this chapter are the income statement (form F20) and the balance sheet (F10), the only two that are filed in the electronic file with ANAF; the cash flow statement and the other annexes, which would have answered the question about money, are attached separately. The equality in the second table — total resources = total uses — is not a check added at the end, but the consequence of the way each transaction is recorded: the subject of the next chapter.

Why Accounts Come Only After This

A classic manual would have started with the chart of accounts. That's an order with its own logic, but it leaves the reader without an answer to the question "why." Accounts are a tool, not an end: drawers in which sums are gathered, so that at the end of the period you can compose the two documents without digging through every piece of paper.

An accounting program makes this invisible. You tell it what document you received — an invoice from a supplier, a receipt, a bank statement — and it chooses the drawers. Still, it remains useful to know what drawers exist and why there are so many, because when a figure looks strange, that's where you return.

Before the drawers, there's one more thing to clarify: why every sum is written in two places at once. This isn't a bureaucratic convention, but exactly the mechanism that makes the two columns in the second table come out equal every time. That's the subject of the next chapter.

The Same Month, With a Single Figure Changed

To see that the two questions are truly independent, it's worth changing a single thing in the example and following what moves. Let's assume everything stays the same, but the customer pays in full during the month: not 40,000, but all 100,000.

SAME ACTIVITY, TWO COLLECTION SCENARIOS

Element	Customer Pays 40,000	Customer Pays 100,000
Month's sales	100.000	100.000
Cost of goods sold	60.000	60.000
Month's earnings	40.000	40.000
Cash in account at end	15.000	75.000
To collect from customers	60.000	0

The earnings are identical in both columns. What changes is only where the value sits: in the account or with the customer.

The line that doesn't move is the one that matters. Collection doesn't create earnings; it only moves a value already earned from one place to another — from receivables into cash. And if the second column looks better, it's because the company has the same wealth in a more liquid form, not because it produced more.

This exercise deserves to be repeated mentally every time someone says "this month went badly." The first question to ask is: are we talking about earnings or about money? Almost always it's the second that's meant, while the decision is made as if it were the first.

Exercise 1.1 — Two Questions, Two Answers

A services company starts the month with 12,000 lei in the account. It issues invoices for 50,000 lei, of which it collects 30,000 by the end of the month. The month's expenses are: salaries 20,000, rent 4,000, utilities 1,500 — all paid during the month. It has no inventory.

Required: (a) the month's earnings; (b) the account balance at the end; (c) why the two don't coincide.

SOLUTION

(a) Earnings are calculated based on what was produced, not what was collected: 50,000 − 20,000 − 4,000 − 1,500 = 24,500 lei.

(b) Account balance: 12,000 + 30,000 collected − 25,500 paid = 16,500 lei.

(c) The difference between 24,500 and the 4,500 increase in the account is 20,000 lei — exactly the amount invoiced and not yet collected. It hasn't disappeared: it sits in receivables, meaning it's still the company's, just held by the customer.

The check that closes the reasoning: the increase in cash (4,500) plus the increase in receivables (20,000) gives 24,500, exactly the earnings. It's not a coincidence — it's the first form of the link between the two documents.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
separating performance from cash and validating the financial position equation	trial balance, bank statements, receivables/payables, and the profit-to-cash bridge	recalculate profit, position, and cash variation from the same transactions	reported profit without a real receivable, or cash without an explained source

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Accounting answers two questions, not one: how much did I earn over a period, and what do I have as of a certain date.
- Earnings and the money in the account are different things. A month can be profitable and still see the balance decrease.
- Earnings are read from the income statement, position from the balance sheet.
- The two connect at one point: the period's earnings increase, by exactly that amount, the share that remains the business owner's.
- Accounts are the tool through which these two documents are reached — that's why they come after them, not before.

Chapter 2

Why every amount is written twice

The previous chapter ended with a promise. In the table showing where the business stood on the 31st of the month, the two columns came out equal — 75,000 on one side, 75,000 on the other. I said then that this was no accident. Now we'll see why.

The answer is a single idea, and from it flows almost the rest of accounting: nothing appears out of nothing. Any amount that enters somewhere comes from somewhere specific, and accounting writes down both ends.

Money doesn't appear, it moves

When a business buys 60,000 lei worth of goods on credit, two things happened at once, not one. The business has more goods, worth 60,000. And it has an additional liability, also 60,000. You can't have the goods without also having the liability; it came from somewhere.

When the client pays 40,000, again two things happen: the money in the account increases by 40,000, and the right to still claim it from the client decreases by exactly that amount. The business hasn't gotten richer at that moment — it has exchanged one form of wealth (a receivable) for another (cash).

That's all there is to it. Every transaction has a "from where" and a "to where," and the two are equal by the nature of things, not by accounting convention. Accounting doesn't invent the rule; it merely refuses to write down only half of it.

Our business's month, unfolded

Let's take the exact same four transactions from the previous chapter and write them on both ends. No new numbers appear — they're the same ones, looked at more closely.

EACH TRANSACTION, ON TWO ENDS

What happened	What the business obtained	Lei	Where it came from	Lei
Purchased goods, on credit	Goods in the warehouse	60.000	Liability to the supplier	60.000
Sold the goods	Right to collect from the client	100.000	Revenue from the sale	100.000
…and the goods left the warehouse	Expense for the goods sold	60.000	Goods in the warehouse	60.000
Collected from the client	Money in the account	40.000	The right to still claim it	40.000
Paid the supplier	Decrease in the liability	55.000	Money in the account	55.000
Total		**315.000**		**315.000**

The two columns of amounts are not equal because someone matched them up at the end. They're equal because each line, taken on its own, has the same amount on both ends.

Notice the second and third rows. A single sale required two entries, because two distinct things happened: the business gained the right to 100,000, and, separately, it lost the goods that had cost it 60,000. The difference between the two — 40,000 — is the gain the previous chapter spoke of. It isn't written down anywhere directly; it emerges from the subtraction.

> ***The equality of the totals is not a check added at the end. It's the consequence of how each line was written.***

Debit and credit: two words that don't mean what they seem to

So far we've used "what it obtained" and "where it came from." Accounting has two old names for these, and the only real difficulty of this chapter is that they sound like something other than what they mean.

The left-hand column of any account record is called debit. The right-hand one, credit. That's it. They don't mean "good" and "bad," nor "plus" and "minus," and they have nothing to do with a debit card or being credited by a bank.

What they do depends on the drawer you're writing into. For a cash or inventory account, what accumulates goes through the left: it increases on the debit side. For a liability or a revenue account, the opposite: it increases on the right, on the credit side. It seems arbitrary, and in part it is — it's a five-hundred-year-old convention. What matters is that it's the same for everyone, which makes it possible to compare two different sets of accounting records.

A business owner doesn't need to memorize this rule. An accounting program applies it on its own: you tell it what document you received, it chooses the columns. Still, it's worth knowing that when someone says "I debited account 5121," they're simply saying "I wrote the amount in the left column of the bank's record" — meaning "money came in."

The check that comes for free

From the fact that each line has equal amounts on both ends, something very practical follows: if you add up all the amounts written on the left, across the whole business, and all the amounts written on the right, the two totals must be identical. For our business, 315,000 and 315,000.

If they're not, somewhere only half was written, or an amount was entered incorrectly on one end. You don't yet know where, but you know for certain there is an error. The tool that performs this comparison is called the trial balance, and it has its own chapter later in the book.

And, more importantly, what the check does NOT catch

Here it must be said, from the first technical chapter of the book, something the manuals postpone for too long: the equality of the totals does not prove the figures are correct. It only proves they are symmetrical.

If you record a 1,000-lei invoice as 10,000, but enter it wrong on both ends, the totals still come out equal and the check stays silent. If you record a correct expense in the wrong drawer, the same applies. If you forget a document entirely, even more so: what was never written at all throws nothing out of balance.

So double-entry bookkeeping catches one class of errors — the missing halves — and is blind to the rest. It's a very good tool, not an all-powerful one, and the difference between the two is paid for dearly when confused. Chapter 33 of this book is dedicated exactly to this confusion.

FOR THE ACCOUNTANT

What is called above "the two ends" is double-entry recording, required by the Accounting Law: every transaction is recorded simultaneously in the debit of one account and the credit of another, in the same amount. From this follow the four equalities of the trial balance — opening balances, movements, total amounts, closing balances — which are consequences, not independent controls: a symmetrical error satisfies all four. Rows two and three of the table are the classic case of a dual-articulation transaction (revenue recognition separate from inventory write-off), where a program recording only the revenue would leave inventory inflated and the result false, with the trial balance perfectly balanced. The debit/credit convention was formalized by Luca Pacioli in 1494, but it predated it in Venetian merchant practice; its usefulness lies not in the meaning of the words but in the fact that the position is fixed and verifiable.

Where this leads

If every amount is written in two places, the natural question follows: exactly where? The goods go to one place, the liability to the supplier to another, the revenue to a third. These places are the accounts, and their complete list is the chart of accounts.

It's not a list to memorize — it's a vocabulary, and, as with any vocabulary, it's learned by using it. The next chapter shows how it's organized and why the numbers that make it up aren't chosen at random.

The four types of movement

Once it's accepted that every transaction has two ends, a practical question follows: how many kinds of movements actually exist? The answer is reassuring — four, and you can count them on your fingers.

ALL POSSIBLE TRANSACTIONS, BY PATTERN

Pattern	Example	Effect on the balance sheet total
One asset increases, another decreases	you collect from a client	unchanged
An asset increases, a liability increases	you buy goods on credit	increases
An asset decreases, a liability decreases	you pay a supplier	decreases
One liability increases, another decreases	you refinance a loan	unchanged

There is no fifth pattern. Any accounting transaction, however complicated, breaks down into combinations of these four.

The usefulness of the table is not theoretical. When an entry seems odd, the first check is to fit it into one of the four rows. If it doesn't fit into any of them, almost certainly a line is missing — or an account was used that doesn't describe what happened.

Why the system was invented, and why it has endured

Double-entry bookkeeping is not a modern convention. It was described in print in 1494, by the Franciscan friar Luca Pacioli, in a mathematics treatise — meaning it was already the current practice of Venetian merchants. Five centuries later, it remains essentially unchanged.

The longevity has a simple explanation worth understanding: the system was not designed to calculate, but to make errors visible. In an age without computers, a method that signals on its own the missing half was worth more than a fast one. Today calculation is free, and that property remains the sole reason the system is still here.

Exercise 2.1 — find the ends

Write, for each transaction, the two ends ("from where" and "to where") and fit it into one of the four patterns:

(a) The business owner deposits 50,000 lei as a capital contribution. (b) The business buys a piece of equipment for 30,000 lei, paid immediately through the bank. (c) The business receives a rent invoice for 2,000 lei, not yet paid. (d) The business pays the rent from (c).

SOLUTION

(a) Cash (asset) increases and equity increases. The second pattern, in the variant with equity instead of a liability: the balance sheet total increases by 50,000.

(b) Equipment (asset) increases, cash (asset) decreases. The first pattern: the total remains unchanged — the business has the same wealth, in a different form.

(c) The expense increases (thus the result decreases, meaning the owner's share) and the liability to the supplier increases. The total increases by 2,000.

(d) The liability decreases, cash decreases. The third pattern: the total decreases by 2,000.

The observation to remember: in (c) the expense appeared even though not a single leu moved; in (d) the money moved, but no new expense appeared. It's the same distinction from Chapter 1, now seen from inside the mechanism.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
completeness of the double entry and the substance of each movement	document, journal entry, journal, and trial balance	trace the source and destination for a sample and recalculate the equality	balanced entries used to mask a wrong account

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Every transaction has two ends: what the business obtained and where it came from. Accounting writes both, with the same amount.
- That's why the totals come out equal — not because someone matches them up at the end.
- Debit means the left-hand column, credit the right-hand column. Nothing more; what they do depends on the account.
- A sale requires two entries: the revenue, separate from the goods leaving the warehouse. The gain emerges from their difference.
- The equality catches the missing halves and is blind to symmetrical errors, the wrong drawer, and the forgotten document.

Chapter 3

The Drawers: The Chart of Accounts

The previous chapter ended with a practical question. If every amount is written in two places, which two? The goods in one place, the payable to the supplier in another, the revenue in a third. These places are called accounts, and their complete list is the chart of accounts.

This is probably the page that looks scariest at first sight: a few hundred lines of numbers. The good news is that you don't need to memorize it, and the even better news is that the logic behind it can be explained in fifteen minutes. Once you understand that logic, the chart is something you read, not something you memorize.

What an Account Actually Is

An account is a record that gathers together all movements of the same kind. The record has exactly two columns — the ones from the previous chapter: left, debit; right, credit. That's all.

The record for account "Cash in lei" gathers everything that came in and went out of the cash register. The record for account "Suppliers" gathers everything you came to owe and everything you paid. At any moment, the difference between the two columns is called the balance and answers a precise question: how much do I currently have in cash, how much do I still owe suppliers.

An account is not, therefore, an administrative file. It's a question you want to be able to answer at any time, without digging through invoices. The number of accounts in a chart is the number of questions the legislator considered worth being able to ask separately.

Eight Families, in a Logical Order

The Romanian chart of accounts isn't an alphabetical list, it's a classification. The first digit of any account tells you which family it belongs to, and the families are arranged in an order that isn't accidental.

THE CLASSES OF THE CHART OF ACCOUNTS

Class	What It Gathers	Example
1	Equity — what the business owner put in and what has accumulated over time	1012 Subscribed and Paid-Up Capital
2	Fixed assets — goods that serve for several years	2131 Technological Equipment
3	Inventory — goods that are consumed or sold	371 Merchandise
4	Third parties — who owes you and whom you owe	4111 Customers · 401 Suppliers
5	Treasury — the money itself	5121 Bank · 5311 Cash
6	Expenses — what was consumed during the period	607 Expenses on Merchandise
7	Revenue — what was earned during the period	707 Revenue from the Sale of Merchandise
8	Special accounts — what isn't yours but concerns you	8031 Fixed Assets Held Under Lease

Classes 1–5 answer the book's second question (what I have and to whom I owe). Classes 6 and 7 answer the first (how much I earned).

The order of classes 1–5 follows a principle: from what is most stable to what is most liquid. Capital stays for years; a building, for many years; goods, for a few months; a receivable, a few weeks; money in the bank account is already money. Going through classes 1 to 5 means, in effect, descending the slope of time.

> ***Classes 1–5 are the balance sheet. Classes 6 and 7 are the income statement. The two documents from Chapter 1 are, literally, two slices of the same chart.***

The Difference That Only Shows at Year-End

Between the first five classes and the following two there is a difference in nature, not in content, and it's worth understanding early, because it explains half of the operations at year-end closing.

An account from classes 1–5 has memory. The cash balance on December 31 becomes the cash balance on January 1; money doesn't disappear because the year changed. The same is true for receivables, payables, and inventory.

An account from classes 6 and 7 has no memory, nor should it. The question "how much have I spent" only makes sense if you specify for how long — otherwise you'd keep adding forever. That's why, at the end of every year, all revenue and expense accounts are emptied into a single account, 121 Profit or Loss, and the following year they start from zero. This operation has its own chapter further on; for now it's enough to note that emptying isn't a formality, but the natural consequence of the fact that these accounts measure a period.

How to Read a Code

The digits aren't inventory numbers — they're an address read from left to right, narrowing the meaning at each step.

THE SAME ADDRESS, READ STEP BY STEP

Code	Reads As	What It Means
4	class	third-party accounts — someone owes me or I owe someone
41	group	customers and similar accounts
411	first-degree synthetic account	customers
4111	second-degree synthetic account	customers (current receivables)
4111.01	analytical account	a specific customer, opened by the company

The first four levels are fixed by regulation and are the same at every company in the country. The fifth is opened by the company, if it needs it.

The uniformity of the first levels is why the accounting of two companies can be compared, and why a trial balance can be read by anyone in the profession. It's not bureaucracy: it's like postal addresses, where the street name is written the same way for everyone, otherwise the letter never arrives.

On Which Side an Account Grows

The previous chapter said that debit and credit don't mean plus and minus, but left and right, and that the effect depends on the account. Now we can say precisely what it depends on: the class.

THE RULE, IN TWO LINES

Type of Account	Grows On	Examples
What you have (classes 2, 3, 5, and the receivables in class 4)	debit — left	5121 Bank · 371 Merchandise · 4111 Customers
What you owe and what you earn (classes 1, 7, and the payables in class 4)	credit — right	401 Suppliers · 707 Revenue · 1012 Capital
What you consume (class 6)	debit — left	607 Expenses on Merchandise

There are also accounts that work in both directions, called bifunctional — 121 Profit or Loss is the best known: it has a credit balance for profit and a debit balance for loss.

The rule is easier to remember from a single observation: accounting looks at things from the company's perspective, not yours. When the bank tells you "we've credited your account," it's speaking from its own perspective — to the bank, you are a liability. In your company's accounting, the same money coming in increases the bank account on debit.

Analytical Accounts: The Only Part You Choose

Account 4111 gathers all customers together. It's enough to know how much you have to collect in total, but it doesn't tell you from whom. For that, analytical accounts are opened — 4111.01, 4111.02, and so on, one per customer.

The practical rule is simple: open an analytical account only where you really need a separate answer. A chart with a thousand useless analytical accounts is harder to read than one with twenty well-chosen ones, and at month-end someone still has to review them all.

In practice, an accounting program tracks records by partner without requiring you to open anything; analytical accounts remain useful for cases where you want the separation to actually appear in the trial balance.

> **FOR THE ACCOUNTANT**
>
> The general chart of accounts is established through the accounting regulations (OMFP 1802/2014) and is mandatory in its structure: the symbol and name of first- and second-degree synthetic accounts cannot be changed, only analytical accounts may be added. Class 8 comprises off-balance-sheet accounts with their own accounting function (not part of the balance-sheet equality), while class 9 — management accounting — is optional and, at small companies, generally unused; the chart in the application does not contain it at all. The function of each account (asset, liability, or bifunctional) is the one set out in the regulations and determines the side on which increases are recorded; the apparent exceptions — contra accounts such as 129 Profit Distribution, or the adjustments in groups 29, 39, 49, 59 — do not contradict the rule but correct another account, which is why they function in the opposite direction from the account they correct. When opening an analytical account, make sure the sum of the analytical balances remains equal to the synthetic balance: a mismatch between them is one of the most common causes of a trial balance that "won't close" when taking over a company.

Why You Don't Need to Memorize It

A business owner never opens the chart of accounts. In an accounting program, he states what document he has — a supplier invoice, a receipt, a bank statement — and the program chooses the drawers. That choice is called an accounting mapping ("monografie contabilă") and is, essentially, a dictionary between everyday language and the language of accounts.

An accountant does open it, but not to memorize it: to verify. When a figure looks odd in a report, the path back invariably passes through an account's record, and from there through the document that produced it. The chart is the map on which that path is drawn.

With this, the tools are on the table: we know what questions accounting answers, why every amount is written twice, and exactly where it is written. What remains is a question that isn't technical, but on which everything depends: who is responsible for these figures. That's the subject of the next chapter.

How to Read an Account You've Never Seen Before

Nobody memorizes the chart of accounts. It's read, and reading follows three steps that work for any symbol, including one encountered for the first time.

THE THREE QUESTIONS, ILLUSTRATED WITH ACCOUNT 4426

Step	Question	Answer Here
1	Which class? (first digit)	4 — third-party accounts: a relationship with someone outside the company
2	Which group? (first two digits)	44 — settlements with the state budget
3	Which exactly?	4426 — Deductible VAT, tax paid to suppliers

The more digits you add, the more precise the question becomes. But the general meaning is read from the first digit.

The three levels have names in the regulation: first-degree synthetic account (three digits), second-degree synthetic account (four digits), and analytical account (whatever is added after, at the company's choice). An analytical account isn't a new account — it's a breakdown of the synthetic one, and the sum of all analytical accounts must exactly equal the synthetic balance.

The Second Digit, Which Tells You the Meaning

There's a pattern that shortens learning considerably, and textbooks often pass over it in silence. In fixed asset and inventory accounts, an 8 in the second position means depreciation, and a 9 means impairment adjustment. These are contra accounts: they don't add value, they subtract it.

THE BASE ACCOUNT AND ITS CONTRA ACCOUNTS

Account	What It Tells You	Meaning of the Balance
213 Equipment	how much the equipment cost	debit balance
281 Depreciation	how much of it has been used up	credit balance — SUBTRACTED
291 Adjustments	how much of the remaining value is probably lost	credit balance — SUBTRACTED

On the balance sheet, only one figure appears: the net value, i.e. 213 minus 281 minus 291. The three accounts exist so that you can say what that figure is made of.

Exercise 3.1 — Read the Symbol

Without looking in the chart, say what kind of account each one is and on which side its balance normally sits: 401, 5121, 607, 707, 4423, 1012, 2813.

Hint: the first digit gives the class; classes 1, 4 (partially), and 7 are usually credit accounts, classes 2, 3, 5, and 6 are debit accounts.

SOLUTION

401 — class 4, third parties: payable to suppliers, credit balance.

5121 — class 5, treasury: money in the bank account, debit balance.

607 — class 6, expenses: cost of goods sold, debit balance.

707 — class 7, revenue: sale of merchandise, credit balance.

4423 — class 4: VAT payable, liability to the budget, credit balance.

1012 — class 1, equity: shareholders' contribution, credit balance.

2813 — class 2 with an 8 in the second position: depreciation of transport vehicles, a CONTRA account, credit balance even though it belongs to the assets class.

The last one is the only one that requires attention, and it's exactly the pattern from the previous section: an 8 in the second position means the balance is subtracted, not added.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
consistent classification in the chart of accounts and useful analytical accounts	chart of accounts, policies, nomenclatures, and analytical trial balance	test the mapping of transaction–account–report and consistency across periods	miscellaneous accounts with high turnover or analytical accounts created only at closing

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- An account is a record with two columns that gathers movements of the same kind; the difference between the columns is the balance.
- The first digit gives the class. Classes 1–5 form the balance sheet, classes 6 and 7 form the income statement.
- Accounts 1–5 carry their balance forward from one year to the next; revenue and expense accounts are emptied annually into 121, because they measure a period.
- The code is read like an address: class, group, first- and second-degree synthetic — fixed by law — then the analytical account, opened by the company.
- What you have increases on debit; what you owe and what you earn increase on credit. The apparent exceptions are contra accounts.
- The chart isn't memorized: it's read whenever you're checking a figure.

Chapter 4

Who Is Responsible for the Numbers

Up to this point, the book has discussed mechanics: what questions accounting answers, why every amount is written twice, and in which drawers. This chapter has no formula and no accounting scheme. Instead, it has the one question where a wrong answer costs real money: who is responsible for what's written there.

It's a question no one asks at the start of a collaboration, because the answer seems obvious to each of the two parties — and, usually, differently obvious. The business owner believes they paid an accountant to have peace of mind. The accountant knows they work with the documents someone gives them. Both are half right, and the missing half only becomes visible during an audit.

What the Law Says, Briefly and Directly

Responsibility for organizing and running the accounting rests with the company's administrator. Not the accountant, not the software, not the accounting firm. The fact that the work is outsourced doesn't move the responsibility outside: it can be outsourced as execution, not as responsibility.

At the same time, the annual financial statements cannot be signed by the administrator alone. The Accounting Law requires a second, qualified signature — an accountant with higher economic studies or a CECCAR member (art. 10 and 28). The current monthly declarations, however, can be filed by the administrator alone.

WHO SIGNS WHAT

Document	Administrator	Qualified Accountant
Monthly declarations (VAT, payroll, informative)	can do alone	usually, still does them
Annual financial statements (balance sheet, income statement)	mandatory	mandatory
The company's supporting documents	responsible for their reality	records them, doesn't confirm them

The third row is the one least understood — and the source of most misunderstandings between business owner and accountant.

> ***Execution can be outsourced. Responsibility cannot.***

What Only One Knows and What Only the Other Knows

The division of work between business owner and accountant is not a matter of internal organization, but stems from something deeper: each of them holds information that the other cannot possibly have.

Only the business owner knows whether the transaction actually happened. Whether the goods on the invoice entered the warehouse. Whether the consulting service was actually performed. Whether the car registered to the company is also used for personal purposes, and to what extent. An accountant, however good, cannot learn these things from paper: paper says what's written on it.

Only the accountant knows how the transaction translates into accounting and what tax consequences it has. Whether an expense is deductible or not. Whether the VAT is fully deductible, half deductible, or not at all. Whether an asset is expensed now or depreciated over five years. A business owner, however smart, has no way of knowing this without doing the job themselves.

That's why the collaboration isn't a luxury, but a structural necessity. The document is where the two kinds of knowledge meet: the business owner affirms that the transaction behind it is real, the accountant gives it the correct accounting form.

The Two Ways of Getting It Wrong

When one of the two does the other's job, the result is predictable, and both variants are seen often.

The business owner who "manages alone" keeps accounting that looks formally correct but says something different from the reality of the business: personal expenses charged to the company because "that's how it's done," unrecorded revenue because "it was a small amount," a trial balance that closes impeccably on figures that describe nothing. Double-entry bookkeeping, as seen in Chapter 2, is perfectly happy with false data, as long as it's symmetrical.

The accountant who receives a stack of papers at year-end and records everything given to them, without asking any questions, is also only doing half the job. They cannot know what's missing from the stack. And what was never recorded at all — a lost invoice, an unreported receipt — doesn't unbalance anything and doesn't appear in any report.

Both failures have the same cause: someone assumed that the other's responsibility also covered them. It doesn't. In an audit, the administrator is responsible for the company's accounting, and the accountant is professionally responsible for what they signed.

What a Working Collaboration Actually Means

No complicated procedures are needed. Three habits cover almost everything.

THE THREE HABITS

Habit	Why It Matters
Documents arrive on time, all of them, not just the convenient ones	what doesn't arrive isn't recorded, and the gap doesn't show up in any check
The business owner explains the context, not just the amount	the same invoice is recorded differently depending on whether the item is for the company, for resale, or mixed use
The accountant asks when something doesn't add up	a question asked in February costs a minute; the same question during an audit costs something else

A good software helps with the first habit — it gathers documents in one place and shows what's missing — but it cannot replace the other two.

FOR THE ACCOUNTANT

The distinction between the administrator's responsibility for organizing and running the accounting and the professional responsibility of whoever prepares and signs the financial statements is what sets the boundaries of the engagement. Outsourcing to a CECCAR-authorized person transfers the execution and brings its own professional liability — including disciplinary and, where applicable, civil liability — but does not discharge the administrator. In practice, two things are worth putting in writing from the start: the scope of the engagement (what is included and what isn't — for example, whether it includes verifying the economic reality of transactions, which in any case cannot be fully assumed) and the way documents are handed over, with deadlines. The second prevents the classic situation where documents arrive after the period has closed, and the correction requires a reversal over an already-declared month. Refusing to record a document that doesn't meet the conditions of a supporting document isn't an act of bad faith toward the client, but exactly the substance of the profession: the final signature covers everything recorded along the way.

And Where Does the Software Fit Into All This

An accounting program calculates and verifies. It applies rules without tiring, keeps track of deadlines, refuses an entry that doesn't balance, shows what documents are missing from a month. All of this is real and belongs to the execution side.

However, it does not decide whether an expense belongs to the company or to you. It doesn't know whether the invoice corresponds to a delivery that actually took place. It doesn't sign the balance sheet and isn't accountable to anyone. A program claiming otherwise would be selling a peace of mind it cannot back up.

With that, the roles are clear: the business owner brings the reality, the accountant brings the rule, the software does the work between them. One thing remains before moving into practice — the order in which all this happens, month by month. That's the map of the book, and it's the next chapter.

Three Situations Where Responsibility Is Determined in Practice

The principles in this chapter seem abstract until the day a problem appears. It's worth, therefore, running them through three cases that happen often.

WHO IS RESPONSIBLE, IN PRACTICE

Situation	Who Is Responsible	Why
Consulting invoice with no actual service performed	the administrator	the reality of the transaction cannot be verified from the document
Expense recorded to the wrong account	the accountant	classification is a professional decision
Declaration filed late	the administrator, but the fault is shared	the obligation belongs to the company; the deadline is known to both

The division isn't a loophole: the administrator is responsible for organization and reality, the accountant for the compliance of the preparation. Neither can answer in the other's place.

The second row deserves nuance, since it's the most often wrongly invoked. The accountant is responsible for the classification if they had all the information. If the document didn't state what was purchased, and no one clarified it, responsibility shifts to whoever should have clarified it — which is why a question asked in writing is worth more than any explanation given afterward.

Exercise 4.1 — Who Signs What

An administrator asks the accountant to record a company invoice of 8,000 lei for furniture, saying it's for the office. The accountant later finds out, by chance, that the furniture was delivered to the administrator's home.

What should the accountant do, and what changes from a tax perspective?

SOLUTION

For tax purposes, the expense has no economic purpose: it is not deductible, and the related VAT cannot be deducted. If the item was used personally, the transaction takes on the nature of a benefit granted to the administrator, with consequences for income tax and contributions.

The accountant cannot certify the reality of the service — they didn't order it and didn't receive the goods. What they can and must do: flag it in writing, ask for clarification, and, if confirmed, record the transaction in its correct form, not the convenient one.

What doesn't protect them: receiving the instruction verbally. What does protect them: the written note and the document showing what they flagged and when.

The practical conclusion, valid beyond this case: in accounting, a question asked in writing is the cheapest form of professional insurance.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
delimitation of responsibility and existence of real approvals	contracts, role sheets, delegations, signatures, and access log	compare the declared role against transactions actually initiated, approved, and posted	the same person initiates, approves, posts, and reconciles

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Responsibility for organizing and running the accounting rests with the administrator and cannot be outsourced.
- The annual financial statements require a second signature, from a qualified accountant (art. 10 and 28, Law 82/1991); current declarations can also be filed by the administrator.
- Only the business owner knows whether the transaction was real; only the accountant knows how it translates into accounting and tax terms. Neither kind of knowledge replaces the other.
- The two typical failures — the business owner who manages alone and the accountant who records without asking — have the same cause: assuming that the other's responsibility covers you.
- A program applies the rules and flags gaps, but does not confirm economic reality and signs nothing.

Chapter 5

The Accounting Cycle: The Book's Map

The four chapters so far have laid the tools on the table: what questions accounting answers, why every amount is recorded twice, where exactly it is recorded, and who is responsible for what. What remains is order — and, unlike the rest, order is not a didactic convention.

A company goes through the same sequence of operations every month, and each step assumes the previous one has been completed. You cannot settle VAT before recording the month's invoices. You cannot close the month without reconciling the bank statement. You cannot prepare the balance sheet until all the months are closed. This sequence is called the accounting cycle, and the book follows it step by step.

Why Not by Topic, Like Textbooks

A classic textbook divides the material into thematic chapters: accounts, then inventory, then payroll, then VAT. That's a good order for someone taking an exam and a poor one for someone running a company, for two reasons.

First, because it hides dependencies. In reality, an inventory mistake shows up in VAT, and a payroll mistake shows up in the balance sheet. Presented separately, the topics seem independent; in practice they rest on one another.

Second, because it answers questions at a different moment than when they arise. Someone keeping the books doesn't ask "what do I know about depreciation," but "what do I need to do now, since it's the 25th of the month." This book is organized around the second kind of question.

> ***The order of the phases is not an author's choice. It's a real dependency: each step consumes the result of the one before it.***

The Fourteen Phases

The complete cycle looks like this. The right-hand column shows the pace at which each phase runs — and this is where the chapter's second important idea lies: not everything is done monthly.

THE ACCOUNTING CYCLE, IN ORDER

Phase	What Is Done	Pace
1	Opening the fiscal year — company data, tax regimes, opening balances	once a year
2	Supporting documents — everything that enters the accounting records	daily
3	Treasury — receipts, payments, reconciliation with the bank statement	daily / weekly
4	Inventory — receipts, issues, production	daily
5	Payroll — the month's payroll statement	monthly
6	Fixed assets — depreciation, lease installments	monthly
7	Adjustments — items not derived from a received document	monthly
8	Ledgers and the trial balance	monthly
9	VAT — the period's return	monthly / quarterly
10	Month-end closing — verification, approval, locking	monthly
11	Year-end closing — result, tax, distribution	once a year
12	Annual financial statements	once a year
13	Declarations and their filing	by statutory deadlines
14	Archiving — the month's file, the year's file	continuous

Phases 2–4 are day-to-day work. Phases 5–10 are the end-of-month ritual. Phases 11–12 are done only once a year, after all months are closed.

Three Paces, Not One

The costliest confusion at small companies is thinking that everything is done "in accounting, once a month." In reality, the cycle has three overlapping paces, and mixing them up is the classic source of chaos in March, when documents from September are being searched for.

The daily pace belongs to documents and money. An invoice received today and recorded today costs a minute; the same invoice sought four months later costs an afternoon, and sometimes it is never found at all.

The monthly pace belongs to checks: payroll, depreciation, adjustments, trial balance, VAT, closing. It's a list gone through in order, and skipping a step doesn't show immediately — it shows at the next one that depends on it.

The annual pace belongs to the balance sheet: the result, the tax, the distribution, the financial statements. It's done only once, but only after the twelve months are closed. That's why a month left open in July becomes a problem in May of the following year.

Why the Book Groups Two Distant Phases

One deviation from the strict order deserves explanation, since it's visible in the table of contents. Part Eight treats VAT (phase 9) and declarations (phase 13) together, even though four phases lie between them.

The reason is that, from the company's point of view, they are the same thing: what you owe the state and how you prove you filed. The VAT return is the first declaration a company encounters and the most frequent one, and separating it from the rest of the declarations would have split a single idea into two places. The rest of the book follows the order of the phases without exception.

> **FOR THE ACCOUNTANT**
>
> The cycle described here is the practical form of two regulatory requirements: the chronological and systematic recording of operations, and the preparation of financial statements based on the trial balance at the closing of the fiscal year. The pace of phase 9 is not an internal choice: the VAT fiscal period is the month or the quarter, depending on turnover and on whether there are intra-Community acquisitions, and changing it triggers a recalculation of deadlines for the entire year. Phases 10 and 11 differ not only in frequency but in effect: the month-end closing establishes the VAT payable and locks the period, while the year-end closing clears the accounts in classes 6 and 7 into account 121 and prepares the distribution of the result — an operation which, in turn, cannot be done before the financial statements are approved. Phase 14 is not administrative: retention periods run from the closing of the fiscal year, and reconstructing a lost document is a regulated procedure, not a formality. Finally, the order also has an audit consequence: a month reopened after declarations have been filed requires a reversal in the current period, not a modification of the closed one — which is why the lock in phase 10 is a safeguard, not an obstacle.

How to Read the Rest of the Book

Each part that follows is a phase. The chapters within it answer the questions that arise exactly at that moment, in the order in which they arise. A business owner can read the book once from cover to cover, then return to the part they need on any given day.

The main text is written for someone who hasn't done accounting. Where the subject requires it, the chapter continues with a section for the accountant — the journal entries, the legal basis, the verification — marked distinctly, so the two readings don't get mixed up. A business owner can skip them without losing the thread; an accountant will find them exactly where expected.

The introductory part ends here. The next chapter begins the cycle proper, with the phase that is done only once and on which the whole rest of the year depends: opening the fiscal year.

The Map, on an Actual Month

The phases make sense only once you see them dated. Here is the same sequence, laid out over the days of an ordinary month at a small company, a VAT payer with two employees.

THE MONTH, DAY BY DAY

When	What Is Done	Phase
throughout	documents are recorded as they arrive	2
1st–5th of the following month	missing documents are completed, unreceived invoices are requested	2
5–8	the month's bank statement is recorded and reconciled	3
8–10	inventory, payroll, depreciation	4–6
10–15	adjustments: advances, foreign currency, deferrals	7
15–18	the trial balance and reconciliations	8
18–24	declarations are generated, validated, filed	9
25	payment of obligations	9
after filing	the period is locked	10

The dates are not a rule but a pace that leaves room for correction. Someone who reaches the trial balance on the 24th no longer has time to fix what they find.

Note that filing takes up a single day, while everything before it takes up three weeks. This ratio is precisely the book's thesis: the declaration is not a task in itself but the consequence of a month already completed. Whoever treats it as a task fills it in on the 24th and amends it on the 3rd.

Exercise 5.1 — What Breaks If You Change the Order

An accountant, pressed for time, generates the VAT return on the 20th of the month, before reconciling the bank statement and before the trial balance. On the 22nd, three purchase invoices from the reported month arrive.

What happens to each of: (a) the already generated return; (b) the month's trial balance; (c) the company's position in an inspection.

SOLUTION

(a) The return is incomplete: the deductible VAT of the three invoices is missing, so the company declares more payable than it could have deducted. If it has already been filed, D300 is not refiled as a corrective; the right is exercised and the correction is reflected in a later return, on the corresponding line, after checking the form's conditions and instructions.

(b) The trial balance prepared after recording the invoices will no longer match the filed return — and the correlation between the turnover of account 4426 and the purchases journal, which should have been verified before filing, now comes out wrong.

(c) In an inspection, the discrepancy between the records and the declaration is the first thing that shows. It's not a calculation error but an ORDER error, and it's fixable — but the fix requires a traceable adjustment and an explanation, instead of two days of waiting.

The moral, which is exactly the chapter's point: the phases are not a ritual, they are dependencies. Skipping one doesn't save time — it postpones it, with interest.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
completeness and order of the closing cycle	calendar, dependencies, checklists and statuses	select a deliverable and retrace all prior steps and approvals	declaration filed before source reconciliations are finalized

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The accounting cycle has fourteen phases, and their order is a real dependency: each step consumes the result of the one before it.
- There are three paces, not one: daily for documents and money, monthly for checks and closing, annual for the balance sheet.
- A month left open doesn't remain a problem for that month alone — it becomes a problem at the year-end closing.
- The book follows the phases, with one explained deviation: VAT and declarations are grouped together, because they answer the same question.
- Each part from here on is a phase; the chapters within it answer the questions of that moment in the month.

Chapter 6

The Company and Its Regimes

The first phase of the cycle happens only once and is rarely revisited. That is exactly why it is dangerous: you don't get the chance to get used to it, and if it's wrong, the mistake doesn't show up that day — it shows up in every declaration of the year.

Opening the fiscal year practically means answering two questions about the company. They are short questions with answers that seem administrative, but everything else follows from them: what declarations you owe, by what deadlines, how much tax you pay, and whether or not you add VAT to invoices.

> ***The two questions are independent. A company can be a VAT payer and a micro-enterprise, or a non-payer and subject to corporate income tax, in any combination.***

The first question: do you add VAT to the invoice or not?

A new company is not automatically a VAT payer. It can remain a non-payer as long as its annual turnover stays below the exemption threshold — 395,000 lei — and it can request registration earlier if it wants.

The practical difference is easy to describe and hard to intuit. The non-payer doesn't add VAT to its prices, but also doesn't deduct the VAT on what it buys: the tax paid to suppliers becomes, for it, a cost. The payer adds VAT to sales, deducts the VAT on purchases, and remits to the state only the difference.

From this comes the practical rule every business owner should know: payer status benefits you if you sell mainly to other VAT-paying companies and have large purchases with VAT. It disadvantages you if you sell to individuals and have low expenses — there, VAT gets added to the final price and pushes you out of the market compared to a non-paying competitor.

Above the threshold, the choice disappears: registration becomes mandatory. And the threshold is monitored throughout the year, not established at the end — whoever exceeds it in August doesn't have until December.

The second question: how is the gain taxed?

Here too there are two options, and the difference between them is deeper than it appears: it's not just the rate that changes, but what it's applied to.

The micro-enterprise pays, in 2026, the flat rate of 1% on the tax base formed from accounting-recognized revenues, with the deductions and additions provided by the Tax

Code. It doesn't matter whether it had a profit or a loss, nor whether all invoices were collected: the tax follows accounting revenue, not the bank statement. It's simple to estimate, but its base is not the same as either collections or the total of class 7.

Corporate income tax is 16% of the gain, i.e., of the difference between revenues and expenses, fiscally adjusted. If the year was a loss, the tax is zero. It's more complicated to calculate, but it follows the reality of the business.

The micro regime is not available at will at any time: eligibility requires cumulative fulfillment of the legal conditions, including the €100,000 threshold, having at least one employee, the rule on holdings above 25%, timely filing of financial statements, and the absence of excluded activities. From 2026, one can return to micro status if all conditions are met, but the option and exit are declared within their own deadlines; simply being below the threshold is not sufficient.

Which is cheaper: arithmetic, not opinion

The answer doesn't depend on the company's size, but on its margin. The two taxes become equal at a point that can be calculated exactly: 1% of revenue equals 16% of profit when profit represents 6.25% of revenue.

SAME TURNOVER, DIFFERENT MARGINS

Margin	Revenue	Profit	Micro 1%	Profit tax 16%	Cheaper
5%	400.000	20.000	4.000	3.200	corporate income tax
6,25%	400.000	25.000	4.000	4.000	equal — the break-even point
10%	400.000	40.000	4.000	6.400	micro
25%	400.000	100.000	4.000	16.000	micro

The micro tax doesn't move: 1% of the same revenue, regardless of margin. The profit tax rises together with the gain.

The conclusion is easy to remember: at high margins, micro is advantageous; at low margins, corporate income tax is. And if the company has loss-making years, micro becomes downright expensive — it pays even when it doesn't earn.

> ***In 2026 there is no longer a 3% micro rate, nor the €60,000 threshold that used to change the rate. The economic comparison is made exclusively between 1% on the micro base and 16% on the taxable result, after prior verification of eligibility.***

What changes during the year

Both answers can be overturned by the company's growth, and in both cases the change doesn't wait for the end of the year.

For VAT, exceeding the threshold requires registration within a short deadline, and from the registration date invoices are issued differently. For micro, exceeding the €100,000 threshold triggers corporate income tax starting with the quarter in which it was exceeded. The threshold is also checked together with the revenues of related enterprises, under the rules of Articles 47, 52, and 54 of the Tax Code; for the 2026 threshold test, the turnover as defined by accounting regulations is used, with special rules for repeated asset transfers.

That's why monitoring these thresholds isn't a December concern, but a permanent one. Accounting software can calculate them continuously and warn in advance; this is, in fact, one of the few places where automation actually prevents a fine, not just saves time.

FOR THE ACCOUNTANT

The micro tax base is not the total of class 7, and the threshold test no longer uses the same measure either. For TAX, Article 53 of the Tax Code starts from revenues of any source and applies the deductions and additions listed by law; the bonus granted by the tax authority is subtracted from the base. For QUALIFICATION under the €100,000 threshold, Article 54, in the form applicable from 2026 through GEO 8/2026, uses the turnover as defined by accounting regulations, cumulated with that of related enterprises; when transferring more than one asset from the same subgroup or more than one plot of land, the related revenues are also added. The rate is flat, 1%, from January 1, 2026, through GEO 89/2025; the old 1%/3% rules, the €60,000 threshold, and the CAEN list no longer apply. GEO 8/2026 allowed a return to micro status, extended to 90 days the deadline within which a new company must hire its first employee, and regulated the effect of employment termination. Separately, the VAT rates are 21% and 11%, and the small enterprise exemption threshold is 395,000 lei.

What gets filled in, concretely

In the application, this phase means a few fields on a single page: the company's identification data, the VAT code if any, the tax regime, the fiscal period, the bank accounts, the document series. It's filled in once, at the start, and revisited only when something real changes.

From that moment on, the software knows what declarations you owe and by what deadlines, what rates to apply on invoices, and what reports are required at year-end. Nothing that follows in this book works correctly if the answers here are wrong — and correcting them six months later usually means redoing the declarations filed in the meantime.

One more thing remains before the first documents: if the company is not in its first year, the bookkeeping doesn't start from zero. Balances must be carried forward. That's the next chapter.

The four decisions made at incorporation, and what each one costs

A new business owner thinks the only decision is "LLC or sole proprietorship." In reality there are four, they're made almost simultaneously, and three of them are hard to change.

START-UP DECISIONS

Decision	What it affects	How easily it can be changed
Legal form	liability, taxation, formalities	hard — requires transformation
Tax regime	how much the company pays out of its gain	annually, under conditions
VAT registration	cash flow and reporting obligations	in both directions, with thresholds
Business activity (CAEN code)	authorizations, VAT rates, special regimes	easy, by amendment

The order in which these are taken matters: the tax regime depends on the legal form, and the VAT threshold is reported based on actual activity, not on what the articles of association say.

It's worth saying clearly something nobody says at incorporation: these choices are not made once and for all — they are REVIEWED annually, based on actual figures. A company that chose micro at incorporation because it seemed cheaper, and that ends up with low margins, pays tax on revenue even in loss-making years.

Exercise 6.1 — micro or corporate income tax

Two companies have the same turnover, 400,000 lei per year. The first has expenses of 380,000 (5% margin), the second of 320,000 (20% margin).

Calculate each company's tax under both regimes — 1% micro on revenue and 16% corporate income tax — and state which regime suits each.

SOLUTION

Company A: profit 20,000. Micro: 1% × 400,000 = 4,000. Profit tax: 16% × 20,000 = 3,200. Corporate income tax suits it better — it pays 800 lei less.

Company B: profit 80,000. Micro: 4,000. Profit tax: 16% × 80,000 = 12,800. Micro suits it better — it pays 8,800 lei less.

The break-even point is at a 6.25% margin: there, 1% of revenue equals 16% of profit. Below it, corporate income tax is cheaper; above it, micro.

What doesn't appear in the calculation and often decides the matter: under micro, tax is paid EVEN in loss-making years, because the base is revenue. For a business with volatile margins, the regime that seems cheaper on average may be the one that hurts in the bad year.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
correct classification under the tax regimes applicable to the period	tax vector, turnover, employees, affiliates, notifications and receipts	recalculate each condition at the relevant date and verify transitions	regime kept from the previous year without retesting eligibility

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Opening the fiscal year requires two independent answers: VAT payer or not, and micro or corporate income tax.
- The VAT non-payer doesn't add the tax to prices, but also doesn't deduct it — it becomes a cost. The exemption threshold is 395,000 lei.
- Micro tax is paid on revenue, regardless of profit; corporate income tax, 16% of the gain, is zero in a loss.
- The arithmetic break-even point is at a 6.25% margin for the flat 1% micro rate; the comparison only makes sense after verifying all eligibility conditions.
- The €100,000 threshold is monitored together with related enterprises; exceeding it triggers corporate income tax from the quarter of the excess.
- A wrong answer here doesn't show up today — it shows up in every declaration of the year.

Chapter 7

The Opening Trial Balance

The previous chapter established the company's tax regimes. Only one question remains before the first document: what figures do we start from?

For a newly established company the answer is almost blank — but not quite. For one that has been operating for years and is only now entering an accounting program, the answer is an entire trial balance, and everything calculated from here on depends on its accuracy.

What Carries Forward and What Doesn't

Chapter 3 divided accounts into two kinds, and now the distinction becomes practical. Accounts in classes 1–5 have memory: their balance on December 31 becomes the opening balance on January 1. The money in the bank account doesn't disappear because the year changed, nor do the receivables, nor the payables, nor the goods in the warehouse.

Revenue and expense accounts, classes 6 and 7, never carry forward. They measure a period, and the period has ended; the new year starts from zero. Anyone who "carries forward" revenue or expense balances makes a mistake that shows up immediately: the new year's result starts inflated.

> ***The opening trial balance contains only balance-sheet accounts. If you see a class 6 or 7 account in it, something is wrong.***

The Same Company, One Year Later

Let's return to the company from the first chapters. It had closed the month with 15,000 lei in the bank, 60,000 receivable from customers, 5,000 payable to the supplier, the initial 30,000 contributed, and a gain of 40,000. Assume the year ended there and that the profit was left in the company, not distributed.

OPENING TRIAL BALANCE FOR THE FOLLOWING YEAR

Account	Debit	Credit
5121 Bank Accounts in Lei	15.000	
4111 Customers	60.000	
401 Suppliers		5.000
1012 Subscribed and Paid-in Capital		30.000
1171 Retained Earnings		40.000
Total	**75.000**	**75.000**

The gain of 40,000 no longer appears as "the month's profit": at the year's closing it passed into retained earnings, that is, into the wealth that remains the business owner's. The goods don't appear at all — they had all been sold.

Here, in a five-row table, is everything the first part of the book said. The two columns are equal because every transaction over the year was recorded on two sides. The revenue and expense accounts have disappeared, because they measured the period that has ended. And the gain hasn't evaporated: it has changed its name.

A New Company Doesn't Really Start from Zero

A company set up last month has no receivables, payables, or inventory, but it does have share capital. The amount contributed by the shareholders at incorporation is the first entry in its life, and the opening trial balance contains exactly those two lines: the money on one side, and the capital on the other.

It's the simplest case possible and, precisely for that reason, the best example to read: the company has something (money) and that something belongs to someone (the shareholders). Nothing appears out of nothing — not even on the first day.

Three Levels of Takeover, Not One

When taking over a company with history, "I entered the balances" actually means three distinct operations, and skipping one of them produces bookkeeping that balances in total but is unusable in practice.

WHAT MUST BE TAKEN OVER

Level	What Is Taken Over	Without It You Can't
Synthetic	the balance of each account from the closing trial balance	prepare the balance sheet
Analytical by Partner	how much each customer owes, how much you owe each supplier	know who to call or who to pay
Quantitative-Value	the inventory for each product: quantity and value	issue stock at the first sale

The first level is mandatory by law. The other two are mandatory by common sense: without them, the figures are correct and useless.

There is only one rule linking the levels, but it's the most frequently violated one at takeovers: the sum of the analytical balances must equal the synthetic balance. If the customers account shows 60,000, and the customers taken one by one add up to 58,400, the difference of 1,600 isn't a rounding error — it's a forgotten customer or an amount entered twice.

Why an Unbalanced Trial Balance Never Heals Itself

The equality between the total debit and total credit isn't a formality to fill in at takeover, but the starting point of all future verifications. Chapter 2 showed why: every transaction adds equal amounts to both columns, so the difference between them never changes.

The consequence is unpleasant and worth stating clearly. If you start with a difference of 1,200 lei, you will have that same difference of 1,200 lei in every trial balance throughout the year, no matter how many correct transactions you record in the meantime. It doesn't dilute, doesn't get lost, doesn't get offset. The only fix is to go back to the takeover trial balance and find what's missing.

That's why a serious program refuses an unbalanced takeover from the start, instead of accepting it and complaining later — and refuses it entirely, not halfway, because a partial takeover is harder to fix than one that never happened. For the same reason it also refuses a balance entered with a minus sign in the wrong column: an account doesn't have a "negative debit balance," it has a credit balance.

FOR THE ACCOUNTANT

Carrying forward balances isn't an operation left to the accountant's discretion: the opening balance sheet of a financial year must correspond to the closing balance sheet of the preceding year — the principle of consistency, under the accounting regulations. Retroactively modifying an opening balance to "match" a trial balance is, for this reason, excluded; corrections of errors relating to prior years are recorded through retained earnings, not by rewriting the opening balance. When taking over a company from another program, four things are worth checking before accepting the trial balance: that the sum of the analytical balances equals the synthetic balance for each third-party account; that the quantitative-value inventory taken over matches the value of the class 3 accounts; that the VAT balance — 4423, 4424, 4428 — is consistent with the last VAT return filed; and that accumulated depreciation comes together with the acquisition value of the fixed assets, otherwise future depreciation will be calculated on a wrong basis and the remaining useful life will be inaccurate. This last point is the one most often missed, because in the synthetic trial balance fixed assets already appear at net value, and the information about their age is lost unless requested separately.

How It's Done, in Practice

In the application, the takeover is done from a single place: either the file exported from the old program is imported, or the balances are entered account by account. The program checks the equality before writing anything and refuses the takeover if it doesn't balance, stating exactly by how much it differs.

Balances for each customer and supplier are detailed separately, and the inventory has its own quantitative-value takeover. There are three steps, not one, exactly as in the table above — and their order doesn't matter, as long as in the end all three match each other.

With this, phase one is complete: the company knows who it is, what tax regime it has, and where it starts from. From the next chapter begins the day-to-day work, with the single door through which anything enters the accounting — the document.

Where the Opening Figures Come From, by Case

"Opening trial balance" means different things depending on whether the company is new, established, or taken over from another accountant — and confusing the three is the source of most beginning-of-year errors.

THREE SITUATIONS, THREE SOURCES

Situation	Where the Balances Come From	What Is Checked
Newly Established Company	from the articles of incorporation: subscribed and paid-in capital	the amount actually paid in, not the amount subscribed
Operating Company, New Year	from the December trial balance, after closing	accounts 6 and 7 must be ZERO
Takeover from Another Accountant	from the last trial balance handed over, with a handover minutes	analytical–synthetic agreement on third parties

The second row is the one most often gotten wrong: taking over a trial balance BEFORE the annual closing brings balances on revenue and expense accounts into the new year, which have no business being there.

When taking over from another accountant, there is a practical rule worth adopting without exception: balances are taken over, but they are also verified. A customer balance that cannot be broken down by partner, or a cash balance that doesn't match the register, are inherited problems that become yours from the first day you recorded them.

Exercise 7.1 — The Takeover That Doesn't Balance

You take over the bookkeeping of a company. The trial balance handed over shows: 5121 debit 18,000; 4111 debit 42,000; 401 credit 25,000; 1012 credit 30,000; 117 credit 5,000. The analytical breakdown of account 4111 adds up to 39,500.

(a) Does the trial balance balance? (b) What do you do about the difference on 4111?

SOLUTION

(a) Total debit: 18,000 + 42,000 = 60,000. Total credit: 25,000 + 30,000 + 5,000 = 60,000. The synthetic trial balance balances perfectly.

(b) And yet there is an error: the analytical breakdown gives 39,500 against 42,000 synthetic, so 2,500 lei are missing, not allocated to any customer. The trial balance doesn't flag it, because the balance is checked at the synthetic level.

What NOT to do: force a "miscellaneous" analytical entry of 2,500 to make it come out even. This hides the problem and makes it unsolvable a year from now.

What to do: request the breakdown from the person handing over, before signing the handover minutes. If it can't be obtained, the difference is recorded in the handover minutes as taken over unidentified — so it remains a known problem, not one inherited silently.

The general lesson, which recurs in Chapter 33: a balanced trial balance is not a correct trial balance. Here the balance is perfect, and the records are wrong.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
complete and accurate takeover of opening balances	previously closed trial balance, analytical records, confirmations, and migration handover minutes	reconcile balance by balance, by currency, partner, and due date	differences parked in miscellaneous analytical entries to make the total balance

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- Only balance-sheet accounts, classes 1–5, are carried forward. Revenue and expenses start from zero every year.
- The gain from the closed year doesn't disappear: it passes into retained earnings, that is, into the wealth that remains the company's.
- A new company also has an opening trial balance: the money contributed and the share capital.
- The takeover has three levels — synthetic, analytical by partner, quantitative-value by inventory item. The sum of the analytical entries must equal the synthetic balance.
- A difference at opening never dilutes: it remains the same in every trial balance of the year.
- The opening balance sheet must correspond to the closing balance sheet of the previous year; prior errors are corrected through retained earnings, not by rewriting the opening balance.

Chapter 8

The equality that must hold from day one

The previous chapter said that an opening trial balance must balance, and that if it doesn't, the difference never simply disappears. This chapter answers the question that naturally follows: why must it, in fact, balance? And, more practically, what do you do when it doesn't.

It's worth clarifying now, at the start of the cycle, since this is the last chance to examine the equality calmly. From here on it will be assumed at every step.

It's not an imposed rule, it's a definition

The equality in accounting is not a requirement that the legislator added to make life difficult. It's a consequence of the way one of the terms is defined.

What the business owns is called an asset. What it owes to others is called liabilities. And the difference between them — what would remain if all creditors were paid — is called equity. It's not a sum set aside somewhere, but a remainder: exactly what's left over after everyone takes what's owed to them.

> ***Assets = Liabilities + Equity. The equality holds because the last term is defined as the difference between the first two.***

For the business from previous chapters: it has 75,000 lei (cash and receivables), owes 5,000 to the supplier, so equity is 70,000 — the 30,000 contributed by the owner plus the 40,000 earned. It couldn't be otherwise: if tomorrow it collected everything and paid everything, exactly 70,000 would remain in the business.

That's why a trial balance that doesn't balance doesn't signal a "calculation mismatch." It signals that somewhere something was written that cannot be true about the world: either the business has an asset that comes from nowhere, or it owes someone something it never received.

The same equality, seen twice

A beginner has the impression that these are two different checks: one on the balance sheet, where assets must equal liabilities plus equity, and another on the trial balance, where the debit total must equal the credit total. They are the same equality, viewed from two places.

The balance sheet shows it in balances, at a date. The trial balance shows it in movements, over a period. The first follows from the second: if each transaction added equal amounts to both columns — chapter 2 — then the resulting balances will also be equal in total.

The four equalities of the trial balance

The Romanian trial balance (balanță de verificare) does not compare a single pair of totals, but four. This is not redundancy: each pair catches something different, and the point at which the first equality breaks tells you where to look.

WHAT EACH PAIR VERIFIES

Equality	Breaks when
Opening debit balances = credit balances	the carry-forward was unbalanced — the problem predates the period
Debit turnover = credit turnover	a transaction during the period was recorded on only one end
Total debit amounts = credit amounts	confirms the first two together — if they hold, so does this one
Closing debit balances = credit balances	a consequence of the above; it does not break on its own

The first equality cleanly separates the two worlds: if it doesn't hold, the error isn't from this month.

The practical use is exactly this: before searching through three hundred transactions of the month, look at the first pair. If the opening balances don't reconcile, the current month is innocent.

When it doesn't balance: how to search

Here an old craft comes in, predating calculators, and still valid. The size of the difference often tells you what kind of error was made — and shortens the search from hours to minutes.

WHAT THE DIFFERENCE TELLS YOU ABOUT THE ERROR

If the difference…	Look for…
divides exactly by 9	two transposed digits: 54 written as 45, 1,200 written as 2,100
is exactly double a known amount	an amount posted on the wrong side — divide it by two and search for that number
equals a round amount from the documents	a transaction recorded on only one end
is small and odd (a few lei)	a rounding from a calculation, not a missing entry

The first rule has a simple arithmetic explanation: transposing two adjacent digits always changes the number by a multiple of nine.

The double-amount rule deserves to be understood, since it's the most commonly used. If an amount of 1,210 lei was posted to credit instead of debit, the debit column loses 1,210 and the credit column gains 1,210: the difference is not 1,210, but 2,420. So, when you see an imbalance, divide it by two and look for that number among the period's transactions — most of the time you'll find it right away.

What the equality does not prove

Chapter 2 already said this, but it must be repeated here, since we've just spent a page praising the equality: the fact that the trial balance balances does not mean the figures are correct. It only means they are symmetrical.

A wrong amount on both ends, a transaction recorded in the wrong account, a document forgotten entirely — none of these disturb the equality. The trial balance is a detector of asymmetry, not of truth, and chapter 33 shows what else must be verified.

> **FOR THE ACCOUNTANT**
>
> The four equalities are not independent controls, but a single property manifested in four places: if double-entry bookkeeping was respected, all four hold, and if it was violated even once, those containing that period break together. From this a diagnostic consequence follows that is worth relying on: a break exclusively in the first pair indicates a problem in the carried-forward balances or in the roll-forward, not in current transactions — in which case the correction is made against retained earnings, respecting the inviolability of the opening balance sheet. A second tool, finer than the overall equality, is checking the correlation between subledger and general ledger accounts for third parties and inventory: it catches exactly the class of errors to which the equality is blind, since an amount posted to the wrong counterpart leaves totals intact. Finally, watch out for dual-nature accounts when preparing the trial balance: 121 and 1171 can have a balance on either side, and forcing their presentation into a single column — a practice found in some data migrations — produces an artificial imbalance that has no cause in the entries.

What comes next

Phase one is complete. The business knows who it is, what tax regime it has, what figures it starts from, and those figures balance. Nothing that follows requires returning to these pages unless something real changes in the business.

From here begins the day-to-day work, and its first rule is also the strictest in the whole book: nothing enters the accounting records without a document. That's phase two, and the next part.

What "doesn't balance" means on day one

The equality must hold from day one, and the causes for it not holding at opening are few and identifiable. They're worth listing, since each has a different remedy.

WHY AN OPENING DOESN'T BALANCE

Cause	How to recognize it	Remedy
A balance carried on the wrong side	the difference is double that balance	look for the amount equal to half the difference
Digits transposed during entry	the difference divides exactly by 9	compare with the document, digit by digit
An account forgotten entirely	the difference is exactly its balance	compare the chart of accounts with the submitted trial balance
Accumulated roundings	the difference is on the order of a few lei	correct on the account with the largest value

The first two rules are a century old and shorten the search from hours to minutes. They're not superstitions: they follow from decimal arithmetic.

The rule of a difference divisible by nine deserves to be understood, not memorized. If you transpose two adjacent digits — writing 5,480 instead of 4,580 — the difference is 900, i.e., 9 × 100. Any transposition produces a multiple of nine, regardless of the size of the number. So a difference of 6,300 in a trial balance that won't balance is, almost certainly, a pair of digits swapped with each other.

Exercise 8.1 — find the error from the difference

An opening trial balance doesn't balance: the debit total is 184,500, the credit total 189,000.

(a) What is the difference and what does it tell you? (b) What do you look for first?

SOLUTION

(a) The difference is 4,500. It divides exactly by 9 (4,500 ÷ 9 = 500), so it's very likely a digit transposition.

(b) Look for a balance in which a pair of adjacent digits would produce a difference of 4,500. For example, 9,000 written as 4,500 gives 4,500; or 27,500 written as 23,000. The most efficient approach is to compare amounts with the source document starting with the largest ones.

If the difference had instead been 4,500 and there had been an account in the trial balance with a balance of exactly 2,250, the first hypothesis would have been different: a balance posted on the wrong side — since moving an amount from one side to the other changes the total by double its value.

The method, in three steps, valid for any trial balance: divide the difference by 9; if it comes out exact, look for transpositions. Divide it by 2; if the result is an existing balance, you've found the wrong side. If neither, look for a missing account.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
integrity of the debit–credit equality and of the result carry-forward	trial balances before/after closing and roll-forward notes	recalculate totals and trace the result into equity	equality achieved through manual entries without document or explanation

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Assets = Liabilities + Equity. The equality holds because the third term is defined as the difference between the first two — it's a definition, not an imposed rule.
- The equality on the balance sheet and the one on the trial balance are the same, viewed on balances versus on movements.
- The trial balance has four equalities; a break in the first shows that the problem predates the current period.
- The difference tells you what to look for: divisible by 9 — transposed digits; double an amount — wrong side; round amount — a missing end.
- The equality is a detector of asymmetry, not of truth.

Chapter 9

Nothing goes in without a document

This is where day-to-day work begins, and this is also where the strictest rule in the entire book lies. It's not a recommendation of good practice, but the condition of existence of accounting itself: any amount recorded must have behind it a document attesting that the transaction took place.

Stated in reverse, the rule sounds unpleasant and is just as true: what has no document does not get recorded. Not even if you're certain it happened. Not even if you paid by card and see the amount on the statement. Not even if the supplier promises the invoice next week.

Why the rule is so rigid

An accounting register is, in essence, a statement about the past: on this date, this thing happened, for this amount. A statement about the past that cannot be verified has no power — not before an inspector, not before a bank, not in a dispute with a partner.

The document is what turns the statement into evidence. That's why the law doesn't require it as a formality, but defines it: the recording of the transaction is made at the moment it is carried out, in a written instrument that underlies the accounting entry.

> ***Accounting does not record what happened. It records what can be proven to have happened.***

What makes a piece of paper a supporting document

Not every piece of paper with figures on it serves the purpose. A supporting document must allow anyone reading it five years from now to reconstruct the transaction without asking anyone. Hence the elements it must contain.

WHAT MUST BE WRITTEN ON IT

Element	What it's used for
Name of the document	states what kind of transaction it attests: invoice, receipt, consumption slip
Number and date	makes it unique and places it in time — hence chronology
The parties	who with whom: name, registered office, tax ID
Content of the transaction	exactly what was delivered, performed, or paid
Quantities and amounts	how much, at what price, with what tax
Signatures, where required	who takes responsibility for drawing it up and, as applicable, receiving it

The absence of an element is not a formal defect: it's information that can no longer be reconstructed by other means.

It's worth noting what does not appear on the list: the accounting account. The document states what happened in the real world, not how it is recorded in accounting. The translation is the job of the next chapter, and it belongs to the accountant — not to whoever issued the paper.

The bank statement is not a supporting document

This is the most frequent confusion at small companies, and it deserves separate clarification, because it seems like pedantry and it isn't.

The bank statement proves that money moved. It does not prove why it moved. A payment of 5,000 lei to a supplier could be the settlement of an invoice, an advance, the repayment of a loan, or an error — the statement looks the same in all cases.

That's why the payment is recorded based on the statement, but the expense is recorded based on the invoice. These are two different transactions, with two different documents, and confusing them is the classic cause of expenses recorded twice: once after the invoice and again after its payment.

When the document is missing

It happens: a lost invoice, a faded receipt, a supplier who no longer answers. The rule isn't suspended, but there is a procedure — reconstruction of the document, with a declaration and proof of the steps taken to obtain it.

What isn't permitted is bypassing it: an entry made "based on" an email, a phone photo, or someone's memory. Not because it would necessarily be untrue, but because in three years no one can say anymore whether it was.

FOR THE ACCOUNTANT

The requirement comes from the Accounting Law: any economic-financial transaction is recorded at the moment it is carried out in a document that underlies the accounting entries, thereby acquiring the status of supporting document; the norms on the preparation and use of financial-accounting documents detail the mandatory elements, the numbering regime, and the procedure for reconstructing those lost, stolen, or destroyed. Two practical consequences are worth keeping in mind. First: responsibility for drawing up the document belongs to whoever issues it, while responsibility for verifying it — including the reality of the transaction — belongs to whoever receives and approves it; the accountant checks the form and classification, and cannot certify substance (see chapter 4). Second: documents that do not meet the conditions are not recorded, and refusal is not optional. From a tax perspective, an insufficient document triggers non-deductibility of the expense and loss of the right to deduct VAT, which turns an administrative oversight into a direct cost — usually larger than the amount on the missing paper.

What changes when documents are electronic

The rule stays the same; only the medium changes. A file has the same value as a paper document if it meets the content requirements and can be kept and read throughout the legal retention period.

An accounting program helps here in a way paper cannot: it keeps the document attached to the entry, not just the figures from it. When, four years later, someone asks where the amount in a report comes from, the trail back to the original file takes two clicks, not a search through an attic archive.

What remains the hard part, which no program does for you: the document has to make it into the application. The next chapter shows what happens to it once it arrives — how it becomes an accounting entry.

Exercise 9.1 — what can be recorded and what can't

For each situation, state whether the transaction can be recorded and on what basis:

(a) A 240-lei fiscal receipt for fuel, without the company's tax ID on it. (b) A bank statement showing a 3,000-lei payment to a supplier, with no invoice received. (c) A signed services contract, with no invoice issued yet. (d) A phone photo of an invoice whose original was lost.

SOLUTION

(a) A receipt without the buyer's tax identification code does not grant the right to deduct VAT and does not justify a business expense. An invoice can be requested based on the receipt; until then, it is not recorded as a purchase of the company.

(b) The payment is recorded — the statement proves it. The expense is NOT: the statement shows that money moved, not why. The amount stands as an advance or a settled liability until the invoice arrives.

(c) The contract is not a supporting document for revenue: it proves a future obligation, not a service actually performed. Revenue is recognized when the service is performed, with the corresponding invoice.

(d) The photo does not replace the original, but the reconstruction procedure exists: declaration, proof of steps taken to obtain a duplicate, approval. The photo helps with reconstruction; it does not replace it.

The common pattern of these four: each has a document that is MISSING and one that exists. The temptation is to use the one that exists. The rule is to bring in the one that's missing.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
reality, completeness, and authorization of supporting documents	originals/verified copies, contracts, receiving reports, approvals, and incoming log	tests the transaction from the document through to the good/service and the responsible person	formally correct document with no proof of delivery or economic necessity

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- No amount is recorded without a document attesting the transaction. The rule has no exceptions of convenience.
- The document turns a statement about the past into evidence; that's why it has mandatory elements, not formal ones.
- The bank statement proves money moved, not why — the expense is recorded based on the invoice, not the payment.
- When the document is missing, reconstruction exists, with a procedure; recording "from memory" does not exist.
- An insufficient document is not an administrative problem: it triggers non-deductibility of the expense and loss of VAT deduction.

Chapter 10

From paper to journal entry

The document tells you what happened in the real world. Accounting needs the same information in a specific form: which account is debited, which account is credited, and for what amount. The translation between the two is called a journal entry, and this chapter shows what it looks like.

The good news for a business owner: they don't have to do the translation themselves. The useful news: it's worth knowing how to read one, because it's the only place where you can check whether the software — or the accountant — has understood the document correctly.

Anatomy of an entry

A journal entry has five elements, none of them superfluous.

WHAT A JOURNAL ENTRY IS MADE OF

Element	What it says
Date	when the transaction occurred — not when you record it
Explanation	what happened, in words, for whoever reads it years later
Debit account	where the value went
Credit account	where it came from
Amount	how much, in lei

The transaction date and the recording date may differ; in accounting, the first one matters.

The short form, used by everyone in the profession, places the debit account before the credit account, separated by an equals sign: 371 = 401 means "goods came in, the payable to the supplier increased." It's read from left to right: what we obtained, where it came from.

One invoice, three lines

The most frequent document in a company's life, the purchase invoice for goods with VAT, produces a three-line entry. Let's take an invoice of 1,000 lei plus 210 VAT, total 1,210.

GOODS PURCHASE INVOICE, 1,000 + 210 VAT

Debit	Credit	Amount	Why
371 Goods		1.000	the goods entered the warehouse, at their cost
4426 Deductible VAT		210	the tax paid to the supplier, which you will deduct
	401 Suppliers	1.210	this is the total you owe

A single account credited, two debited. The sum of the debits equals the credit: 1,000 + 210 = 1,210.

This shows why VAT is neither goods nor an expense. The 210 lei cost the company nothing: it will be deducted from the VAT payable. That's why it sits in its own account, separate from the value of the goods — and if the company were not VAT-registered, the 210 would be added to the cost of the goods, because it would remain there permanently.

> ***The same document produces different entries depending on the company's tax regime. The document is the same; its accounting is not.***

Simple entry and compound entry

When a transaction links a single account to a single account, the entry is simple: collection from a customer, 5121 = 4111. When one of the two sides splits into several accounts, as in the invoice above, the entry is compound.

What is not allowed, though it may seem convenient, is an entry with multiple accounts on both sides at once, mixing unrelated transactions. Such an entry balances on the total, but can no longer be read: a year later, no one can say which amount on the left corresponds to which amount on the right.

The preview: how to check without knowing accounting

Here lies, for a business owner, the most useful habit in the whole book. Before saving a document, the software shows exactly what entry it will record. You don't need to know the formula to do the check; you just need to look at three things.

WHAT TO CHECK IN THE PREVIEW

Look at	And ask yourself
Total amount	is it the one on the paper in your hand?
Explanation	does it describe what really happened?
Account names	"goods" when you bought goods, "services" when you bought a service?

Accounts have names in plain language precisely so that this check can be made without accounting training.

A detail that seems technical but is important: the preview must come from the same engine that performs the actual recording. If the software calculates the preview in one place and the recording in another, the two can silently drift apart, and what you checked is no longer what got saved.

> **FOR THE ACCOUNTANT**
>
> Account correspondence is not free; it follows from the function of each account and the nature of the transaction, and entries that do not respect normal correspondences — for example, crediting an expense account outside of a reversal or closing — almost always signal a misclassification, not an exotic situation. The compound entry is acceptable; the "mixed" one, with several accounts on both sides, should be avoided: it loses traceability of the correspondence, complicates the account ledger, and makes line-by-line verification during an audit impossible. The date that matters for recording is that of the transaction, not that of the document nor that of entry into the software — the distinction becomes critical at period boundaries, where an invoice dated the 30th of the month but received on the 5th belongs to the month in which delivery occurred, affecting VAT chargeability. Finally, the entry's explanation is not decoration: when reconstructing an old transaction, it is often the only element linking an amount to an economic fact, especially after the attached document has migrated between systems.

Who does the translation

In practice, no one composes entries by hand for routine documents. The software has the translation prepared for every typical situation: you choose which document you have, fill in the amounts from it, and the entry composes itself.

This set of ready-made translations is called a chart of accounting treatments (monografie), and its richness determines how often you'll need to improvise. That's the subject of the next chapter.

The translation, on the same document, at three different companies

The same piece of paper doesn't produce the same entry at every company. It's worth seeing on a case, because it clarifies what actually decides the translation: not the document, but WHAT the company does with what it bought.

A 10,000-LEI INVOICE FOR A LAPTOP, AT THREE COMPANIES

Company	Debited account	Why
Computer store	371 Goods	bought it to resell
Consulting firm	2131 Equipment	uses it for more than a year, above the threshold
Assembly company	301 Raw materials	goes in as a part of a product

The document is identical in all three cases. What differs is the purpose, and the company knows the purpose, not the supplier.

From this follows a surprising consequence: the accountant cannot always do the translation alone, from the document, for every transaction. For routine ones, the pattern is clear.

For ambiguous ones, information is needed that is written nowhere — and the question asked at that moment is cheaper than the correction made a year later.

Exercise 10.1 — from paper to entry

Invoice from a supplier: base 4,000 lei, VAT 21% = 840 lei, total 4,840 lei, for "maintenance materials." The company will consume them in the current month.

Write the complete journal entry and say what changes if the company is NOT registered for VAT purposes.

SOLUTION

VAT-registered company, two lines: 302 Consumable materials = 401 Suppliers, 4,000 lei; 4426 Deductible VAT = 401 Suppliers, 840 lei. Total payable to the supplier: 4,840.

At actual consumption, a third transaction, with another document (consumption slip): 602 = 302, 4,000 lei.

NON-VAT-registered company: the tax cannot be deducted, so it enters the COST of the good. A single line: 302 = 401, 4,840 lei. There is no 4426 account in the entry.

The practical consequence, often ignored: for a non-VAT-registered company, VAT on received invoices is not a recoverable tax, but part of the price. Price comparisons between a VAT-registered company and a non-registered one must therefore be made on different amounts.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
faithful translation of the document into a journal entry	document, policy, chart of accounting treatments, entry, and journal	re-execute the classification, date, amounts, accounts, and explanation	accounting treatment chosen based on the supplier, not on the nature of the transaction

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- A journal entry has five elements: transaction date, explanation, debit account, credit account, amount.
- It's read from left to right: what we obtained, where it came from. 371 = 401 means goods received on credit.
- Deductible VAT is neither goods nor an expense: it's a receivable from the state, which is why it has its own account.
- The same document produces different entries depending on the company's tax regime — for a non-VAT-registered company, the tax enters the cost of the good.
- The preview can be checked without accounting knowledge: the amount, the explanation, the account names.
- The date that matters is that of the transaction, not that of entry into the software.

Chapter 11

The Vocabulary of Situations

The previous chapter ended with a practical promise: no one composes journal entries by hand for ordinary documents. The software has the translation ready for every typical situation, and the set of these translations is called the accounting monograph (monografie contabilă).

It deserves to be seen as a vocabulary, not a list. Each entry links a real-world situation — "I bought goods on credit," "I paid wages," "a piece of equipment broke down and I scrapped it" — to the accounting entry that corresponds to it. Whoever knows the vocabulary no longer needs to compose; they need to choose.

How Many Situations Does a Small Business Actually Have

The answer usually surprises in both directions. There are fewer than a beginner fears and more than someone who has run a simple business for a year believes.

In the application from which this book was born, the vocabulary has over one hundred and twenty entries, grouped into twenty-one families. The richest are purchases and sales, which is natural: that's where most of a company's economic life takes place.

THE MOST USED FAMILIES

Family	Situations	Example Entries
Purchases	24	goods, raw materials, services, utilities, fuel, imports
Sales	18	goods, finished products, services, advances, credit notes
Treasury	14	receipts, payments, internal transfers, cash advances
Adjustments	7	prepaid expenses, annual pro-rata, VAT adjustments
Payroll	6	payroll statement, wage payment, withholdings, leave
Fixed Assets	6	acquisition, depreciation, write-off, disposal
Receivables and Provisions	6	doubtful customers, adjustments, derecognition, provisions

The remaining fourteen families — leasing, foreign currency, share capital, dividends, commercial paper, subsidies, and others — cover situations that occur at some companies and never at others.

The useful observation is that an ordinary business uses, in practice, between fifteen and thirty entries. The rest sit there for the day the situation appears — and when it does appear, it's better for it to already be prepared than improvised under pressure.

Why You Choose a Type Instead of Writing the Accounts Directly

A program could, in principle, let you write debit and credit directly. Some do. Choosing a document type, however, has three advantages that you lose as soon as you start improvising.

First, the type brings with it all the lines, not just the obvious one. In a sale of goods, a beginner records the revenue and forgets the inventory write-off; the document type doesn't forget. We saw in Chapter 2 that this omission leaves the trial balance perfectly balanced and the result false.

Then, the type carries the tax information: whether the transaction enters the VAT return and on which line, whether the document must be sent to the e-Factura system, whether the value is reported in informative declarations. The accounts alone say nothing of all this.

Finally, the type makes the document retrievable. A year from now, the question won't be "where's the entry with 371 = 401," but "where's the invoice from that supplier."

> ***Choosing the right type isn't a formality to fill in: it's the decision that determines what gets recorded, what gets declared, and what can be found.***

When the Wrong Type Is Chosen

The most instructive case is cancelling an invoice. Many people's reflex is to enter the same invoice with negative amounts — it seems clean: minus one thousand, minus two hundred ten, done.

The result, however, is an incomplete entry that closes perfectly. And the consequence only shows up weeks later: the customer is left with a receivable that doesn't exist, and the collected VAT remains inflated and goes out that way in the return.

The vocabulary has, for exactly this situation, its own entry — sales credit note, "in red" — which reverses all the lines and, in addition, keeps the reference to the corrected invoice. The difference between using the right tool and improvising isn't one of elegance, but of the correctness of the declaration.

A well-made program doesn't just offer the correct tool: it refuses improvisation and tells you which tool to use. Chapter 29 returns at length to corrections.

FOR THE ACCOUNTANT

The monograph isn't a convenience; it's the place where classification takes shape — that is, the only genuine professional decision in the daily flow. Three practical observations. First: a correct monograph entry carries the tax treatment too, not just the account correspondence; the split between fully deductible VAT / 50% deductible / non-deductible VAT, the classification on the return line, and the reporting obligation in informative declarations cannot be deduced from the accounts after recording — they must be established when the type is chosen. Second: for situations with double articulation — a sale with inventory write-off, a scrapping with removal of accumulated depreciation, charging an inventory shortfall — the risk isn't the wrong entry but the incomplete entry, which passes any balance check. Third: when no entry fits exactly, the correct solution isn't forcing the closest one, but composing a custom entry, documented in the transaction's explanatory note; a forced classification propagates silently into the return and into reports, where it's much harder to find than in the journal.

How It's Chosen in Practice

The entries are written in plain language, not accounting terms: "purchase invoice for goods," "supplier payment receipt," "materials consumption slip." You choose based on what's written on the paper in your hand, not on which account you think should be used.

When the document is read automatically from a file, the program proposes the type itself, and you confirm it. Confirmation isn't a formality: it's exactly the moment when a human checks a machine's assumption, and Chapter 13 shows what's being checked then and why.

Before that, though, there's another question to clarify: who exactly presses the save button, and what it actually means for a document to have "entered the accounting records." That's the next chapter.

Exercise 11.1 — How Many Lines Does the Transaction Have

Say, without writing the accounts, how many lines each entry has and which line beginners forget:

(a) Sale of goods with invoice. (b) Payment to a supplier via bank. (c) Sale of a fixed asset. (d) The month's payroll statement.

SOLUTION

(a) Three lines: the receivable from the customer, the revenue, the collected VAT — plus, as a linked transaction, the inventory write-off. The forgotten line is the last one: without it, the goods stay in inventory and profit comes out inflated.

(b) Two lines, and nothing is forgotten: it's the simplest transaction in accounting.

(c) Four lines: the receivable, the collected VAT, the removal of accumulated depreciation, and the expensing of the remaining value. The forgotten part is the second half — the asset stays on the balance sheet even though it was sold.

(d) At least five: the wage expense, withholdings for employee contributions, the tax, the employer's contribution, and at payment, one more transaction. The forgotten one is the employer's contribution, because it doesn't show on the payslip.

The rule linking all four: the number of lines isn't guessed from the document, but from the TRANSACTION. That's why choosing the right type is a decision, not a formality — it brings in the lines that the mind skips.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
controlled coverage of recurring and exceptional transactions	catalog of transactions, approved monographs, and change log	compare actual types against the catalog and test edge cases	generic type used for unusual transactions without review

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The monograph is a vocabulary linking real situations to accounting entries; whoever knows it chooses, rather than composes.
- An ordinary business uses 15–30 entries out of over one hundred and twenty; the rest wait for a situation that may never occur.
- The document type brings all the lines — including the ones easily forgotten — plus the tax treatment and retrievability.
- Choosing the wrong type doesn't produce a visible error, but an incomplete entry that closes perfectly.
- For cancellations there is the credit-note entry, which reverses all lines and keeps the reference; negative amounts on an ordinary type are an improvisation with consequences in the return.

Chapter 12

Draft, validated, approved, posted

A document entered into the program does not, by that simple fact, become part of the accounting records. Between "I typed it" and "it's recorded" there are several steps, and they are not the program's bureaucracy: they are exactly the separation discussed in chapter 4, between who enters and who takes responsibility.

In a small business, where the same person does both things, the steps seem like a fuss. But they become useful on the first day someone makes a mistake — and they are indispensable the moment someone other than the one who signs the balance sheet works on entering documents.

The four states

THE PATH OF AN ENTRY

State	What it means	Can it be deleted?
Draft	it has been typed, but nothing is decided; it may be incomplete	yes, without a trace
Validated	the data is complete and consistent with the document	yes
Approved	someone with the right authority has taken responsibility for the content	yes, until posting
Posted	it has entered the accounting records and all reports	NO — only by reversal (storno)

Only the last state has effects. A draft does not appear in the trial balance, does not enter the VAT return, and is not visible in the balance sheet.

The threshold that matters is the last one. Until posting, an entry is an intention: it can be corrected, completed, or deleted without anyone ever knowing it existed. After posting it becomes a recorded fact, and recorded facts are not deleted — they are corrected through another entry, which also remains.

> ***Before posting, a mistake is a correction. After posting, it is a new operation.***

Why what has been posted is not deleted

The question comes up right away, and it is legitimate: if I made a mistake, why can't I just delete it and write it correctly? The answer has two parts, one practical and one of principle.

Practical: other things have already been calculated based on the posted entry. A VAT return already filed, a trial balance sent to the bank, a statement handed to a partner. Deletion would make the same documents say something different today than they said yesterday, with nothing explaining the difference.

Of principle: the trail of the correction is part of the evidence. Accounting records in which mistakes disappear without a trace are, to an outside observer, indistinguishable from records where figures are adjusted as needed. Precisely because errors are normal and inevitable, the way they are corrected says everything about the seriousness of the records.

Who can do what

The steps make full sense when linked to different people. The usual model at a business with an external accountant looks like this: someone in the business enters documents as they appear, the accountant verifies and posts.

The advantage is not control, but the correct division of labor. The person in the business knows what happened — they saw the goods, they signed for receipt. The accountant knows how it should be recorded. Each does the part the other cannot do, and the state of the document shows, at any moment, where things stand.

In a business where the owner does everything alone, the steps remain useful in a more modest way: they separate "I set the document aside so I wouldn't lose it" from "I checked it and it's good." These are two different things, and mixing them is the usual cause of invoices recorded twice.

> **FOR THE ACCOUNTANT**
>
> The state flow is the digital form of an internal control principle: separating the recording function from the approval function. Even where separation of persons is not possible — small businesses, a single accountant — separation in time preserves part of the benefit, because verification is done with the document in hand and not in the same motion as typing. Two consequences for practice. First: the right to post must be treated as a distinct right in the access matrix, not as a consequence of the write right; a user who can enter documents should not also be able to post, if the business structure allows otherwise. Second: the moment of posting determines the period only together with the operation date, not instead of it — an entry posted in March with a February date belongs to February, and if February is closed, the system must refuse it, not silently reclassify it. This refusal is the subject of period locking, in chapter 41.

What is visible from the outside

A side effect of the states, often more valuable than the control itself: at any moment one can say what is ready and what is not. How many documents for the month are still drafts, how many are awaiting verification, how many have actually entered the accounting records.

At month-end, the question "are we done?" is no longer answered from memory, but read off. And when the answer is no, one can see exactly what is missing — which turns the month-end close from a hunch into a list. Chapter 39 returns to this.

The question remains of what is actually verified before a document is allowed to pass through. That is the next chapter.

Exercise 12.1 — who presses the button, and when

In a business, an operator enters documents and an accountant is responsible for filings. On the 12th of the month, the operator enters 40 invoices. On the 14th, the accountant discovers that three of them are from the previous month, already closed and filed.

(a) What state should the 40 have been in on the 12th? (b) What is done with the three?

SOLUTION

(a) In draft state. Entry is an execution operation; posting is the act by which someone takes responsibility for the figure. If the 40 had been posted directly, the three would already have entered the records of a closed month — or would have been rejected by the period guard, which is exactly the desired behavior.

(b) They are not recorded in the closed month. They are recorded in the current month, and the effect on the previous period is analyzed separately: VAT adjustment, tax correction, or an amending declaration only for the form that allows this route, depending on the nature of the error and the applicable rules.

What the exercise shows: the draft/posted separation is not bureaucracy, but the place where verification happens. A business in which everyone posts directly has no place to verify, and errors reach the filings without passing by anyone.

What can be done in each state

The four states are not decorative labels: each one changes what can be done with the item and what the rest of the application sees.

RIGHTS OF EACH STATE

State	Visible in reports?	Can it be modified?	Can it be deleted?
draft	no	yes	yes
validated	no	yes	yes
approved	no	yes	yes
posted	YES	no	no

The first column is the one that matters: until posting, the item does not exist for the trial balance, for the VAT return, or for statements. Posting is the moment it enters the records.

From this comes a practical consequence that beginners discover late: an item entered and left in draft is NOT a recorded entry. It does not appear in the trial balance, does not enter the VAT return, and is not visible in reports. "Entered" documents that cannot be found anywhere are, almost always, forgotten drafts.

Why three states before posting, and not one

In a small business, the three states before posting seem like a luxury: the same person enters and posts. But they describe three different questions, and in a business with a team each has a different answer.

THE THREE QUESTIONS

Transition	Who does it	What it answers
draft → validated	the operator	is the document complete and read correctly?
validated → approved	the accountant	is the accounting treatment the appropriate one?
approved → posted	the person responsible	do I take responsibility for the figure as it is?

In a small business, the same person answers three times. The fact that they answer separately each time is precisely the purpose of the states.

> ***Posting is not a save button. It is the signature on a statement about the past — and that is why, after it, correction is done by reversal (storno), not by modification.***

What happens to a draft from a closed month

The case comes up often and deserves clarification: a draft created in June, left unposted, and in the meantime June has been closed.

The draft still exists — nothing has been deleted — but it can no longer be posted there, because the period is locked. It is not a loss of data, but a question: did that document belong to June or not? If yes, it is recorded in the current month and it is assessed whether an amending declaration is needed. If not, the date is corrected.

This situation is, in fact, exactly why the period guard checks at POSTING, not at creation: a draft can be composed at any time, but entry into the records is subject to the calendar.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
separation of stages and approval before accounting impact	workflow, rights, logs, and approval evidence	trace the sample from draft through to posting and locking	automatic posting without criteria, exceptions, and an intervention log

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- An entered document is not a recorded document: only the "posted" state produces effects in the trial balance, in VAT, and in the balance sheet.
- Until posting, a mistake is a correction; after posting it becomes a new operation, through reversal (storno).
- Deleting a posted entry would make already issued reports say something different, without explanation.
- The steps separate who enters from who takes responsibility — ideally different people, but separation in time also helps.
- The state of documents shows, at any moment, what is ready and what is missing for the month.

Chapter 13

The checks at the door

A document can be entered by a person who has it in front of them, or read automatically from a file — a scanned invoice, a PDF received by email. In the second case a new question arises: how much can you trust what the machine has read?

The serious answer is not "a lot" or "a little", but a list of checks performed before the document is allowed to pass through. This chapter shows what is checked, why each check exists and — the most important part — how their results are combined.

The nine checks

WHAT IS CHECKED BEFORE ENTRY

Check	The question it answers
Extraction source	where does the information come from: a structured file or a photo?
Reported confidence	how certain does the automatic reading declare itself to be on the key fields?
Arithmetic	do the base plus VAT add up to the total shown on the document?
VAT rate	does the rate used exist in the legislation in force on the document's date?
Date	is it usable — and does it fall within a period that is still open?
Document number	does it exist and has it been read correctly?
The partner	is it known, with verified data?
Document type	was it possible to determine what kind of transaction this is?
Duplicate	has this document not already been recorded?

All nine are blocking: any one of them failing stops automatic posting.

It is worth noting that only two of them concern the quality of the reading. The remaining seven check things that an attentive person would also check: that the figures add up, that the date is valid, that you don't already have the same invoice. Automation does not invent new checks — it performs the well-known ones every single time, without getting tired.

Why all of them, not their average

Here lies the chapter's most important design decision, and it is one that any accountant should demand from the software they work with.

The natural temptation is to calculate a score: eight checks out of nine passed means 89%, i.e. "almost certainly good". The temptation is wrong. If the only failed check is the duplicate check, the document is not "89% good" — it is an invoice recorded a second time, and the other eight passes change nothing.

That is why the decision to post automatically is a conjunction, not an average: it posts by itself only if all checks pass. The score exists, but it serves reporting purposes — it shows how well automatic reading is performing overall — and it decides nothing about any particular document.

> ***A high score conceals precisely the check that matters. Blocking checks are not averaged, they are conjoined.***

The confidence threshold

The check concerning reading certainty has a numeric threshold: below it, the document does not pass by itself, no matter how good the rest looks. The threshold is deliberately set high, higher than the one at which the system merely flags a person, because letting a document in without any human review requires more certainty than merely flagging it.

A detail that seems technical and is a real trap: the threshold is not a property of the world, but of the model doing the reading. A new model may systematically report lower confidence at the same accuracy — in which case a threshold left unchanged stops perfectly good documents. Thresholds of this kind must be recalibrated whenever the underlying engine changes, not inherited.

What happens when a check fails

Nothing dramatic: the document stays with the human, with the reason written down. It is not rejected, it is not deleted — it is simply stopped before it produces effects, exactly like a document brought in by someone without approval rights.

And when the person intervenes and corrects what the machine read wrongly, the difference between the two records itself automatically. Not because someone is being monitored, but because the information is useful: the places where a person corrects often are exactly the places where automatic reading needs to be improved. An intervention that had to be requested through the interface would be forgotten; one that records itself would not.

FOR THE ACCOUNTANT

Automatic posting is, in essence, a delegation of classification to a system, and delegation must remain reversible and documented. That is why it is disabled by default, activated per company, knowingly, and it never concerns the economic reality of the transaction — the checks verify form, coherence and uniqueness, not whether the delivery actually took place; the distinction from chapter 4 remains intact. Two checks deserve special attention. The date check is not limited to a valid format: a date falling within a closed period must block the document, not reclassify it into the current month — otherwise silent gaps appear between the VAT ledger and the filed return. The duplicate check must aggressively normalize the document number before comparison, because the same invoice, in practice, comes written as "F 900", "F-900" and "F900"; an undetected duplicate doubles both the expense and the deducted VAT, and the subsequent correction requires a reversal (storno) in a period for which the return has already been filed.

What no check can verify

The list above is complete for what can be verified from the document. It does not contain, and cannot contain, the one thing that truly matters: whether the transaction actually took place.

A perfectly drawn-up invoice, with the arithmetic balanced, the correct rate, a known partner and no duplicate, may correspond to no delivery at all. All nine checks let it through, and they are right to do so: nothing that can be read on paper says otherwise.

That is why automatic checks shift the threshold, they do not eliminate it. They ensure that the human no longer wastes attention on arithmetic and duplicates, so that it can be kept for the question only they can answer. This concludes the section on incoming documents; the next chapter moves on to those you issue.

Exercise 13.1 — checks are not added, they are multiplied

An automatically read document passes eight out of nine checks. The one that fails is the duplicate check: the same invoice appears to have already been recorded two weeks ago.

The displayed score is 89%. Should it post automatically?

SOLUTION

No. A score of 89% suggests "almost good", but the decision is not an average, it is a CONJUNCTION: all blocking checks must pass.

Here, the failed check is precisely the one that matters: if the invoice is indeed a duplicate, posting it produces a doubled expense, VAT deducted twice, and a nonexistent liability to the supplier. The other eight checks that passed compensate for nothing — they confirm that the document is internally coherent, not that it hasn't already been recorded.

General rule: an average score conceals exactly the check that failed. That is why the report must display WHICH check failed, not just what percentage passed.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
the functioning of the preventive checks at document entry	exception reports, configurations, tests and resolutions	input correct and erroneous cases and verify the check's response	an alert systematically ignored or a check disabled without approval

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Nine checks stand between an automatically read document and the accounting records; only two concern the quality of the reading, the rest check what an attentive person would also check.
- The decision to post automatically is a conjunction, not an average: a score of 89% conceals precisely the check that failed.
- The confidence threshold is a property of the model doing the reading, not of the world — it must be recalibrated when the engine changes.
- A failed check stops the document with the human, with the reason written down; nothing is lost.
- No check can verify whether the transaction actually took place. Automation frees up the human's attention, it does not replace it.

Chapter 14

The Invoice You Issue

Until now, documents have been coming into the company. This chapter looks at the ones that leave it, and the difference isn't just semantic: for received documents you're the one who checks, for issued ones you're the one who answers for the content.

The invoice you issue is, at the same time, proof of your right to collect payment, the basis on which the client will deduct the expense and the VAT, and a line in your own VAT return. Three roles in a single piece of paper — which is why it carries the most formal requirements in all of accounting.

Numbering: more important than it seems

An invoice must have a unique number, from a continuous series, assigned in chronological order. The rule seems administrative, and in fact it's what keeps sales from being hidden: if number 101 is missing between invoice 100 and 102, the question asks itself.

Two things follow from this that many small businesses break. Numbers aren't skipped — a wrong invoice is reversed, not thrown away. And invoices aren't issued "dated last month" after others with the current date have already been issued, because that puts chronology and numbering in contradiction.

A program assigns numbers on its own, from series configured once, precisely so these two rules don't depend on someone's attention on a busy day.

What Must Be Written on It

The mandatory content of the invoice is set by the Tax Code, and missing an element isn't a formal slip: it can leave the client without the right of deduction, which instantly turns your negligence into a commercial problem.

ELEMENTS THAT CANNOT BE MISSING

Element	Why It Matters
Series, number, and issue date	identifies the invoice and places it in the chronology
Complete data for both parties	name, registered office, tax registration code
Description of the goods or services	generic — "services rendered" — is not a description
Quantity and unit price	make the taxable base verifiable
Base, rate, and VAT amount, per rate	these make up the VAT return
Date of delivery or performance, if it differs from the issue date	determines the chargeability of the tax
Special mentions, where applicable	"reverse charge," "cash VAT," "exempt pursuant to…"

The last two lines are the ones most often omitted — and the ones that produce the most rejections during an audit.

The Journal Entry It Produces

An invoice for the sale of goods produces, like any sale, two distinct operations, which chapter 2 already showed: earning the right to collect payment and the goods leaving the warehouse.

SALE OF GOODS, 1,000 + 210 VAT, COST 600

Debit	Credit	Amount	What It Represents
4111 Customers		1.210	the total amount the client owes, including tax
	707 Revenue from the Sale of Goods	1.000	the revenue, excluding VAT
	4427 VAT Collected	210	the tax owed to the state, not company revenue
607 Expenses Regarding Goods		600	the cost of the goods that left
	371 Goods	600	the decrease in inventory

The gain from the operation — 400 lei — is not written anywhere: it comes out of the difference between the revenue of 1,000 and the cost of 600.

This is perhaps where it's clearer than anywhere else why VAT collected is not revenue. The 210 lei enter the company along with the rest of the amount, but they don't belong to it:

they're collected for the state and will go to it. A business owner who calculates their gain from the total invoiced systematically overestimates their business.

The Electronic Invoice

From the same invoice comes the electronic file that goes to the ANAF system. It's not a second invoice and isn't filled out separately: it's the same information, in a standardized format, readable by machines.

Not all issued documents have to go there, and the distinction isn't made by preference but by the type of operation. An invoice to a company has a different regime than a receipt to an individual, and a document that isn't an invoice has no business being in the system.

A well-made program deduces the obligation from the type of document chosen — chapter 11 — and not from a hand-written list that would lag behind legislation. And when a document should go there and can't be built correctly, it refuses to issue it empty, rather than sending an invoice with a zero base.

Which Invoice Is the Real One

The question seems scholastic and has a very practical consequence. From the moment the invoice has passed through the RO e-Factura system, the original is no longer the paper you printed nor the PDF you sent by email: it's the electronic file, with the seal applied by the ministry. What you send to the client is a courtesy copy, made so a human can read it.

Two things follow from this, usually learned during an audit. First: if the PDF and the electronic file say different things, the version that counts is the one in the system. Second: an "issued" invoice that hasn't reached the system isn't half-sent — it's an unfulfilled obligation, with its own deadline and its own penalty.

> ***The original is the file sealed by ANAF. The paper and the PDF are copies for people — useful, but they aren't the document.***

Who Falls Under the Obligation and Who Doesn't

The scope isn't ticked off, it's read from the data. Three situations, with different regimes, and the distinction between them is made based on who the beneficiary is and where they are established.

THREE KINDS OF BENEFICIARY, THREE REGIMES

Beneficiary	What Goes on the Electronic Invoice	Falls Under the Obligation?
Company from Romania	the tax identification code and, if it exists, the VAT code	yes — the five-business-day deadline runs
Individual	no VAT code; instead, the CNP or thirteen zeros	yes, starting January 1, 2025
Beneficiary from Another State	their data, as on any invoice	no — the obligation concerns persons established in Romania

The thirteen zeros aren't a convention of some program: that's what the system expects for an invoice to an individual. A merchant has no right to demand the CNP in order to be able to invoice, and the client's refusal doesn't exempt them from reporting.

A technical detail that's actually a matter of common sense: a CNP has thirteen digits, while a Romanian tax code has at most ten. The two can't be confused, so the program can deduce on its own which situation you're in, without asking you. And when the code is entirely missing and the client is from another country, the invoice remains valid and outside the obligation — it doesn't become overdue.

Five Days, and What "Sent" Means

The current deadline is five BUSINESS days from the issuance of the invoice, but no later than five business days from the legal deadline for issuing it. The two reference points must be tracked together: delaying issuance until the maximum deadline doesn't create an extra five days beyond the limit provided by law. The calendar must know legal holidays, not just weekends.

The second trap is that "I sent it" isn't one state, but three. The file is uploaded and receives a registration number; the system processes it; only then does it return either confirmation or a list of errors. Between the second and third moments, the invoice is neither accepted nor rejected — and that's exactly where programs that say "sent" immediately after upload usually stop.

WHAT CAN HAPPEN TO AN UPLOADED INVOICE

Status	What It Means	What You Need to Do
in processing	the system has received the file and is checking it	nothing — but the obligation is not yet fulfilled
accepted	the invoice has the seal; this is the proof	you keep the signed file, not just the number
rejected	the file has structural or data errors	you fix the cause and upload again; the deadline keeps running

Rejection errors are almost always about missing data, not amounts: a wrong tax code, an unspecified county, a unit of measure the nomenclature doesn't recognize. That's why they're worth filling in correctly in the partner's record just once, not fixed on every invoice.

Changes Applicable from June 1, 2026

Law 88/2026 redesigned the registers and exceptions of RO e-Factura. Suppliers or service providers who identify for tax purposes by CNP are no longer required to transmit, but may opt in, in which case they are entered in the optional register. For individual farmers under the special regime, certain non-profit entities, religious denominations, homeowners' associations, and cultural institutes, there are separate rules or registers. Before marking an invoice as "outside the obligation," the professional checks both the issuer's status and the beneficiary's entry in the relevant public register.

> ***The scope of RO e-Factura isn't decided solely by the B2B/B2C label. In 2026, what matters is the issuer's tax identification, the place of the operation, the beneficiary's category, and the entry in the public registers.***

> ***A rejected invoice is not a sent invoice. The upload number proves you tried, not that you succeeded — the proof is the sealed response.***

What Cannot Be Done

An invoice that has reached the system can no longer be modified and can no longer be withdrawn. Correction is done the way it was done on paper, before any electronic system: through a new document, which reverses or adjusts it, and which in turn goes into the system. The rule from this chapter still holds — a wrong invoice isn't deleted, it's corrected with another invoice.

And the invoices you receive travel the same road, in reverse: the supplier uploads them, and you retrieve them from your own space. The practical consequence is that, for purchases, "I received the invoice by email" has stopped being the main source — the document waits for you there regardless, whether or not the supplier also sent it to you separately.

FOR THE ACCOUNTANT

The mandatory content of the invoice is set out in Article 319 of the Tax Code, and checking it is the first verification in any VAT inspection — not for formal rigor, but because the beneficiary's right of deduction rests on it. Three areas produce most of the corrections. First: chargeability — the date of delivery or performance, when it differs from the issue date, determines the reporting period, and for advances chargeability arises upon collection; an invoice issued the following month for a delivery from the previous month belongs, for VAT purposes, to the month of delivery. Second: mandatory mentions for special regimes — reverse charge, cash VAT, the margin scheme, exemptions with the right of deduction — the absence of which cannot be remedied through subsequent explanations, but only by redoing the document. Third: the description of the operation, where generic phrasing such as "services per contract" is in practice the most frequent reason for the beneficiary's deductibility being rejected, because it doesn't allow verification of the reality of the service. On reversals, the credit note must carry the reference to the corrected document; without it, the two invoices live separately in the partner's records.

What Comes Next

With this, phase two is complete. Documents come in and go out, each with its own journal entry, checked before they produce effects. The company's accounting now has content.

The next thing that moves, usually as a result of these documents, is money. Phase three, and the next part: treasury — the only place in accounting that can be confronted with an external reality.

Exercise 14.1 — The Rejected Invoice

You issue an invoice to a client from another EU country, exempt as an intra-Community delivery. The electronic invoicing system rejects it with a validation error.

What are the three checks to make, in order?

SOLUTION

First, the client's VAT code: the exemption requires a valid code at the date of delivery, verified in the information exchange system. An inactive code makes the delivery taxable in Romania, so an invoice without VAT is wrong, not just rejected.

Then, the mandatory mentions: an exempt delivery must carry on the invoice the legal basis for the exemption. The absence of this mention is a formal error that blocks validation and, during an audit, can overturn the treatment.

Finally, internal consistency: the base, rate, and total must match to the leu, and the identification of the parties must be complete.

Order matters: the first two can change the SUBSTANCE of the operation, the third only the form. Whoever starts with the last one fixes a total and resends an invoice that remains wrong.

Series and Number: Two Things, Not One

Numbering issued invoices seems like a formality until the first audit, when it becomes the first check performed. The reason is simple: from a continuous numbering, one can deduce whether an invoice is missing; from a discontinuous one, nothing can be deduced.

The company sets its own series and number ranges through an internal decision. What it cannot choose is continuity: within a series, numbers follow one another in sequence, and a number once assigned is never reused — not even if the invoice was cancelled.

WHAT TO DO WITH AN INCORRECT INVOICE

Situation	What to do	What NOT to do
incorrect, not yet sent	cancel it, marked "cancelled"	don't delete it, don't reuse the number
incorrect, already sent	correction invoice (credit note)	don't ask the client to tear it up
correct, but with wrong identification details	correction invoice	don't modify the issued copy

In all three cases, the number used remains used. A gap in a series is harder to explain than a cancelled invoice.

What turns a document into an invoice

The mandatory elements are not a checklist: each one answers a question that someone else will ask years later. They deserve to be read that way, because that's when it becomes clear why the absence of one leads to the buyer losing the right to deduct.

THE ELEMENTS AND THEIR QUESTIONS

Element	What question it answers
series and number	is it unique, and is anything missing from the series?
date of issue	which period does the transaction fall into
identification details of both parties	who with whom, verifiable at the trade registry
supplier's VAT code	is it entitled to collect the tax?
name and quantity	what was delivered, in what quantity
base, rate and tax, for each rate	how much of the price is tax, and at what rate
special mentions, where applicable	why VAT is missing: exemption, reverse charge, margin scheme

The last line is the one most often forgotten. An invoice without VAT and without an explanation for its absence is, for whoever receives it, an incomplete invoice.

> ***The invoice is not written for the client, but for whoever will read it four years from now knowing nothing about the transaction. If they cannot reconstruct what happened, the document has not done its job.***

In electronic form, the same elements become fields in a structured file, and the validator checks all of them before accepting the invoice. The side effect is useful: formal errors that used to be discovered during an audit are now discovered at issuance, within seconds.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
the sequence, content and timely transmission of issued invoices	numbering decision, invoices, contracts, e-Invoice index and messages	test series continuity and the 5-business-day deadline	unexplained gaps, deleted cancellations or missing index

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The issued invoice has three roles at once: your right to collect payment, the basis for the client's deduction, the line in your VAT return.
- Unique, chronological numbering is not a formality: it's what makes sales impossible to hide. An incorrect invoice is reversed, not thrown away.
- The absence of a mandatory element can leave the client without the right to deduct — your problem becomes theirs, and vice versa.
- A sale generates two operations: revenue and the reduction of inventory. The profit isn't recorded anywhere directly, it emerges from the difference.
- Collected VAT flows into the company, but doesn't belong to it. Whoever calculates their profit from the total overestimates their business.
- The e-Invoice obligation is determined by the type of transaction, not by a manually maintained list.
- The original invoice is the file sealed by ANAF; paper and PDF are copies for humans.
- The deadline is five business days, with the limit also tied to the legal deadline for issuance; "uploaded" doesn't mean "accepted".

Chapter 15

Bank and cash

Treasury accounts have a property that no other account in the accounting has: they can be checked against a reality outside the company. The balance of the bank account in the accounting must equal what the bank statement shows — a figure issued by someone else, which cannot be adjusted.

That is why treasury is, at the same time, the simplest part of accounting and the best error detector in the whole company. Simple, because the operations are few and obvious. A good detector, because any mistake shows up immediately, by comparison.

The four accounts and the difference between them

WHERE THE MONEY SITS

Account	What it covers
5121 Bank accounts in lei	the current account balance — verifiable against the bank statement
5124 Bank accounts in foreign currency	the same thing, for each currency separately
5311 Cash in lei	the cash on hand, verifiable against the cash register
5314 Cash in foreign currency	the foreign-currency cash, kept separately

Foreign currency is kept in two currencies at once: in its own currency and in lei, at the exchange rate on the date of the operation. The exchange-rate difference is settled at closing — chapter 26.

The practical difference between bank and cash isn't the size of the amounts, but verifiability. The bank statement comes from the bank, so it's external evidence. You draw up the cash register yourself, so no external evidence exists — the only possible check is physically counting the money in the drawer.

Collection and payment: two simple entries

Treasury operations are, in the overwhelming majority of cases, simple entries: a cash/bank account and a third-party account.

THE TWO BASIC OPERATIONS

What happened	Debit	Credit	What it means
The customer paid the invoice	5121 Bank	4111 Customers	the money came in, the receivable was extinguished
We paid the supplier	401 Suppliers	5121 Bank	the payable was extinguished, the money went out

Notice that in neither of them does any revenue or expense account appear.

> ***Payment is not an expense, and collection is not revenue. They extinguish payables and receivables that arose earlier, with another document.***

It's the same idea the book started with, in chapter 1: profit and money are different things. Here it takes accounting form. The expense was recorded when the invoice arrived; the payment only extinguishes the debt. Whoever records the expense both at the invoice and at the payment counts it twice — the classic mistake of companies that work "by bank statement."

The cash balance cannot be negative

It's the only statement in accounting that anyone can verify, without any training: you cannot take more money out of a drawer than you put into it.

A negative cash balance is not a treasury problem, but a recording error — every time, without exception. The causes are almost always two: a collection that wasn't recorded, or a payment recorded with a date earlier than the actual one.

It deserves to be treated as an alarm, not an inconvenience. Software that calmly displays "−1,240 lei" in the cash register is, in reality, hiding a missing document — and that document is also missing from VAT and from the result.

The internal transfer trap

When you move money from the bank into the cash register, or the other way around, you have an operation that appears twice: once as an outflow from the bank, in the statement, and once as an inflow into cash, in the cash register. The two documents often arrive separately, and if each is recorded on its own account, the amount gets doubled.

That's what account 581 Internal transfers exists for, a transit account: the outflow from the bank credits it, the inflow into cash debits it, and at the end its balance must be zero. If it isn't zero, one end of the transfer is missing.

It's a good example of an account that represents nothing in the real world — there is no safe called "internal transfers." It exists only to make visible a movement that would otherwise risk getting lost between two documents.

FOR THE ACCOUNTANT

The cash register is drawn up daily, for every day with transactions, and the balance is carried forward from one day to the next — it is not accumulated monthly; its form and regime follow the rules on financial-accounting documents. For foreign-currency treasury, records are kept simultaneously in the foreign currency and in lei, at the exchange rate on the date of the operation, and at each closing the balances are revalued at the rate published by the NBR for the last banking day of the period; the differences go to financial income or expenses, and do not adjust the cost of the original operations. Account 581 must be checked at every closing: a nonzero balance signals either an unrecorded end of a transfer, or a movement actually in transit on the closing date — and the two are distinguished only by looking at the documents, not the figure. Finally, a credit balance on a bank account is not an error, but an overdraft, which is presented in the balance sheet as a short-term financial liability, not as negative cash; confusing this legitimate case with a negative cash balance, which is always an error, is the source of unnecessary corrections.

What comes next

The money is recorded. What remains is the part that gives treasury its true value: reconciliation with the bank statement, that is, the only check in accounting that relies on evidence coming from outside the company.

That's the next chapter, and it's the best error-finding tool in the whole book.

Exercise 15.1 — the impossible cash balance

The cash register for day 14 shows: opening balance 800 lei, receipts 2,400, payments 3,900, closing balance −700 lei.

(a) What definitely happened? (b) What do you look for, in what order?

SOLUTION

(a) Nothing "happened" — you cannot take money out of a drawer that isn't there. A negative cash balance is ALWAYS a recording error, never a real situation.

(b) First hypothesis: a missing receipt. Compare the receipts issued that day with what's recorded — at least 700 lei collected are missing.

Second: a payment dated wrong, belonging to another day. Check the payment documents from the 14th against those from neighboring days.

Third, rarer: a bank deposit recorded only on the cash side, without its counterpart in the statement — in which case account 581 will show a balance, which is the second free check.

What is NOT done: "adjusting" the balance with a balancing amount. That hides the missing document, and that document is also missing from VAT and from the result.

The cash register: the required form

The cashier's office has its own register, with a prescribed form, and its rigor comes from a simple fact: it is the only patrimony element that can be counted at any time and for which no external evidence exists.

THE RULES OF THE CASH REGISTER

Rule	Why
it is drawn up DAILY, for every day with transactions	the balance must be checkable against the cash on hand, on any day
the balance is carried forward from the previous day	otherwise the day has no starting point
it is not accumulated monthly	a monthly total cannot be checked against anything
it is numbered continuously	a gap means a day without records

All four follow from the same requirement: the count at the end of the day must give exactly what the register shows.

Hence an organizational consequence: the cash register belongs to the company, not to the person. The money in the drawer isn't the cashier's, and mixing it with personal money — even temporarily, even with the intention of putting it back — makes the balance impossible to reconcile and turns an administrative operation into a matter of liability.

What gets checked automatically, every month

Treasury is the area where most checks can be done without anyone's intervention, because they are all calculated from already recorded data. A program can run them continuously.

THE FIVE TREASURY CONTROLS

What is checked	What it signals
the cash balance is not negative, on any day	a missing collection or a wrongly dated payment
the end-of-day cash balance ceiling	exceeding Law 70/2015
payment and collection ceilings, per day and per partner	splitting, even if the documents seem correct
the balance of account 581 is zero at closing	an unrecorded end of an internal transfer
the statement balance = the accounting balance, after reconciliation	any transaction missing from either side

The first four are calculated from one's own records. The fifth is the only one that requires an external source — and that's why it's the strongest.

It's worth noting that four out of five need no new document: they are questions asked of existing data. This is the typical case where automation doesn't save time but catches something a person wouldn't check every day — and ceilings are usually exceeded on ordinary days, not on the ones when someone is watching closely.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
the existence and integrity of the funds available in the bank and cash register	complete statements, confirmations, cash register, cash count and payment documents	reconcile each account, count the cash and investigate items in transit	omitted bank accounts, credit cash balance, or a constantly high book balance

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- Treasury is the only part of accounting that can be checked against external evidence: the bank statement.
- Payment is not an expense and collection is not revenue — they extinguish payables and receivables that arose earlier.
- Whoever records the expense both at the invoice and at the payment counts it twice.
- A negative cash balance is always a recording error, never a real situation.
- Movements between bank and cash pass through 581 Internal transfers, whose balance must be zero at closing.
- A credit balance on the bank account is something else: it's an overdraft, that is, a liability — not an error.

Chapter 16

Reconciliation, line by line

Bank reconciliation is the confrontation between what your accounting records show and what the bank statement shows. Many treat it as a monthly formality, but it is actually the only check in the entire accounting process that is backed by evidence coming from outside the company.

An experienced accountant does it first, not last. The reason is practical: if the bank and the accounting records match, an entire class of errors is already ruled out, and the remaining checks start from solid ground.

Why the two never match right away

The beginner's first surprise is that balances differ even when everything is correct. This is not a problem: it is the natural gap between the moment an operation occurs and the moment the bank records it.

LEGITIMATE DIFFERENCES

Situation	Where it appears
A payment order given today, processed tomorrow	in the accounting records yes, in the statement not yet
A fee deducted by the bank, not yet known	in the statement yes, in the accounting records not yet
Interest calculated at month-end	in the statement yes, in the accounting records not yet
A payment received from an unidentified customer	in the statement yes, but against which invoice?

The first three resolve themselves in the following days. The fourth requires asking someone a question.

The distinction that matters is between timing differences and substantive differences. The former disappear on their own; the latter never disappear, no matter how long you wait, because behind them lies an operation that was not recorded, or was recorded incorrectly.

The method: match, then look at what remains

Reconciliation is not done by comparing balances, but by matching operations against each other, one by one. Every line in the statement is looked for in the accounting records, and vice versa.

What matches no longer needs attention. The value of the method lies precisely in what remains unmatched — usually a short list, in which each line is either a timing difference or an error to be found.

> ***You don't compare balances, you compare operations. The balance tells you that a difference exists; the lines tell you what it is.***

A program can perform the matching automatically, by amount, date, and party, and the result is that the person receives the short list directly. But their role remains unchanged: to answer the question the machine cannot ask — why this line is missing.

What each remaining line means

The unmatched list reads in two columns, and each side has its own meaning.

HOW TO READ WHAT REMAINS

The line is…	It means that…	What you do
in the statement, not in the accounting records	money moved without you knowing why	you look for the document: fee, interest, direct payment
in the accounting records, not in the statement	you recorded an operation that has not happened (yet)	you check whether it is in transit or is an incorrect entry
in both, but with different amounts	one of the figures was typed incorrectly	you compare with the document, not with the other figure

The first case is the most valuable one: it is usually where fees left unrecorded for years are found.

The third line deserves emphasis. When two figures differ, the temptation is to pick the one from the statement, because "the bank is right." Most of the time it is, but not always — and the reflex of aligning the accounting records to the statement without looking at the document replaces one error with another, this time invisible one.

What reconciliation catches and what it does not

Reconciliation guarantees that all cash movements are recorded and that their amounts are correct. That is a lot, and it is limited.

It says nothing about the reason for the payment. An amount transferred correctly, matching the statement perfectly, can be recorded against the wrong supplier or as an expense that is not the company's. Reconciliation confirms that the money left, not that it left for a legitimate reason.

This is, again, the distinction from Chapter 4: form can be checked automatically, substance cannot. Reconciliation is the best form-check in accounting — and precisely for that reason, it should not be asked for more than it can give.

FOR THE ACCOUNTANT

A correct reconciliation is done on operations and on the balance at the same time: matching line by line identifies the differences, and reconstructing the balance proves they are complete — accounting balance, plus operations recorded in the accounting records but not yet appearing in the statement, minus those in the statement not yet recorded, must yield exactly the statement balance. If the equation does not work out after all lines have been classified, there is still an unidentified line. For companies with many receipts, automatic matching by amount alone is insufficient: two invoices of the same value produce false matches, and a partial payment matches nothing — which is why the criterion must include the party and the document reference, and ambiguous matches should be left to the person, not resolved by picking the first option found. Timing differences are documented in the reconciliation statement; they are not recorded, but they must be cleared in the following period, and an item remaining in transit for more than two months is, practically speaking, always an error. Lastly, reconciliation is also the control that catches payments made directly by the owner from the company's account without a document — a category of operation that no other check discovers.

How often

The classic answer is "monthly, at closing." The better answer is "whenever the statement arrives," because the effort grows non-linearly with delay: a mismatch from three days ago is cleared up with a phone call, one from four months ago requires searching among hundreds of similar operations.

With cash reconciled, only one topic remains in this part: the thresholds the law places on cash — and why exceeding them is one of the few accounting mistakes that is directly sanctioned. That is the next chapter.

Exercise 16.1 — the reconciliation that closes

Accounting balance on the 31st: 42,300 lei. Statement balance: 39,850 lei. Left unmatched at check: a payment order of 3,100 lei issued on the 30th, not yet processed; a bank fee of 45 lei from the 29th, not recorded; a receipt of 605 lei from the 31st, not identified against any customer.

Reconstruct the balance and say which line requires action.

SOLUTION

We start from the accounting balance: 42,300. We subtract the order issued and not yet processed (in the accounting records yes, in the statement not yet): 42,300 − 3,100 = 39,200. We add the unrecorded fee, which already reduced the balance in the statement but not in the accounting records: 39,200 − 45 = 39,155. We add the unidentified receipt, present in the statement and unrecorded: 39,155 + 605 = 39,760.

It does not come out right: 39,760 versus 39,850, a difference of 90 lei. So there is still an unclassified line — the reconciliation is not complete, and the correct conclusion is "keep looking," not "it roughly matches."

Of the three lines, only one requires immediate ACTION: the unidentified receipt. The first two resolve themselves — the order gets processed, the fee gets recorded. The third is a question asked of someone: who paid, and against which invoice.

The rule illustrated: reconstructing the balance is not a decorative step after the matching. It PROVES that the list of differences is complete — and here it shows it was not.

What a machine can match, and where it guesses

Automatic matching of payments to invoices looks like an arithmetic problem and is, in reality, one of ambiguity. It is worth seeing exactly which cases it solves and where it chooses — because that is where the human must step in.

FIVE RECEIPTS, THE SAME THREE OPEN INVOICES

The receipt	Situation	What the matching does
2.500	a single invoice for exactly that amount	exact match, no doubt
600	less than any invoice	partial match, against the oldest one
1.000	TWO invoices of exactly 1,000	picks the oldest one — a choice, not a fact
3.500	the sum of two invoices	nothing matches
9.999	nothing corresponds	nothing matches

The third line is the only one where the machine decides without knowing. Lines four and five are honest: they don't match, so they get passed on to the human.

The choice on the third line follows the convention from Chapter 34 — the oldest is settled first — and it is prudent, because it errs by showing the balance as older than it is, not more recent. But it remains a choice: if the customer actually paid the second invoice, the aging schedule will show incorrectly until someone looks into it.

The fourth line deserves defending, because it looks like a gap: a program COULD try all combinations of invoices that add up to 3,500. With ten open invoices there are over a thousand combinations, and with thirty — a billion. More importantly, a combination found is not proof: two invoices that add up to the amount paid does not mean they were the ones paid.

> ***A good automatic matching system is not the one that matches the most, but the one that leaves the human exactly the cases where it would have had to guess. The rest is a short list, not a long report.***

What is done with what remains

The unmatched list is not closed "by difference." Each line has a treatment, and the wrong choice moves the problem rather than solving it.

TREATMENT OF REMAINING LINES

Line	What it usually is	What is done
receipt without an identified invoice	advance, or payment against a future invoice	recorded in account 419, not forced onto an invoice
payment without a received invoice	expense without a document	held in account 409 or 408, until it arrives
small difference between the amount and the invoice	bank fee deducted by the payer	the fee is recorded, the invoice is not rounded
receipt from an unknown party	wrong payment, or a new tax ID	it is clarified; it is not assigned to "the most likely"

The third line is the one most often resolved incorrectly: the difference is "lost" into revenue, and the invoice remains partially uncollected in the aging schedule, indefinitely.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
reconciling each movement with an independent source	statements, cash register, ledger sheets, and the register of differences	checks line by line and tracks differences through to the document and their resolution	old differences, a copied reconciliation, or a source modified to make it match

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Reconciliation is the only check in accounting backed by evidence from outside the company.
- Balances differ even when everything is correct: processing gaps are normal. Timing differences are separated from substantive ones.
- Balances are not compared, operations are. The value lies in the short list of unmatched items.
- A line in the statement with no counterpart in the accounting records is the most valuable one: that's where forgotten fees are found.
- When amounts differ, the document is checked — the accounting records are not reflexively aligned to the statement.
- Reconciliation confirms that the money moved, not that it had a reason to move.

Chapter 17

Legal ceilings and limits

Cash is the only form of payment that leaves no trace with anyone else. A bank transfer passes through a bank and is recorded by a third party; a banknote handed from one person to another is not. Hence, legislation that restricts cash more strictly than any other accounting operation.

This chapter is short and worth reading even if your business works almost entirely through the bank. The reason is that exceeding the ceilings is sanctioned directly, and the sanction takes no account of good intentions: it doesn't matter that the transaction was real and correctly recorded.

The four thresholds

LEGAL LIMITS ON CASH

Limit	Ceiling	How it's calculated
Payment to a legal entity	5,000 lei	per day and per individual counterparty
Payment to a natural person	10,000 lei	per day and per person
Total cash receipts	10,000 lei	per day, from all persons combined
Cash register balance	50,000 lei	at the end of the day

All four are measured per DAY, not per month or per transaction. A payment of 12,000 lei doesn't become legal just because it's split into three receipts on the same day.

The last row of the note is the part small businesses miss most often. The ceiling applies per day and per counterparty, not per document. Splitting a payment into several receipts issued on the same day doesn't get around the limit — on the contrary, it's exactly the pattern an audit looks for.

Why the balance ceiling is different from the others

The first three limits concern flows: how much can go in or out in one day. The fourth concerns the stock: how much can remain overnight in the cash register.

This difference has a practical consequence. A business can perfectly respect the payment limits and still exceed the balance ceiling, simply because it collected a lot and didn't deposit the cash at the bank. The check is done at the end of each day, not at the end of the month — and the solution is depositing the surplus, on the same day.

> ***Three ceilings are checked per transaction, one on the end-of-day balance. They can be breached independently.***

The check that verifies itself

All four limits have a rare property in accounting: they can be fully calculated from data already recorded. They require no additional information, no judgment, no interpretation.

That's why they have no business being kept in anyone's memory. Software can track them continuously and warn on the day they approach the threshold, not the following month, when the breach has already become a fact. Along with tracking the fiscal thresholds in chapter 6, this is one of the few places where automation prevents a fine, not just saves time.

It's worth requiring of any accounting software that the thresholds be kept in a single, dated place, not scattered through the code. Law 70/2015 has been amended several times since its publication, and a business that has its limits written in one place can update them in a minute.

Cash advances (treasury advances)

When you give money to an employee to buy something for the business, the money hasn't yet left the company's assets: it has merely moved from one pocket to another. Until it is justified with documents, it remains a receivable from the employee, in account 542 Treasury advances.

The common mistake is recording it directly as an expense at the moment the money is handed over. This is wrong for two reasons: the expense doesn't yet have a supporting document, and if the employee brings back change, the change has nowhere to return to.

The balance of account 542 at the end of the month is a list of questions: who is holding unjustified company money, and since when. An old balance there isn't an accounting problem — it's a discipline problem.

FOR THE ACCOUNTANT

The ceilings are those set by Law 70/2015: 5,000 lei/day/legal entity for payments, 10,000 lei/day/natural person, 10,000 lei/day total receipts ceiling, and 50,000 lei cash register balance at the end of the day. Three practical clarifications. First: fragmentation is explicitly sanctioned, so the check must be done by aggregating per day and per counterparty, not per document — an audit that looks at individual receipts catches nothing. Second: the balance ceiling allows for justified temporary breaches — amounts intended for paying salaries or other personnel entitlements, for a limited number of days — and treating these as violations produces false alarms; the regime for these exceptions must be parameterized, not ignored. Third: for account 542, justification of the advance is done with documents within the deadline set by internal decision, and amounts not justified by the deadline become, from a tax perspective, salary-type benefits — with all the consequences in terms of contributions and tax; an old balance in 542 isn't just an administrative oversight, but a quantifiable tax risk. Finally, the negative cash balance check, covered in chapter 15, is complementary to these ceilings: the former signals a recording error, the latter a violation of the law, and confusing the two leads to incorrectly applied corrections.

What comes next

Phase three is complete. Documents are recorded, cash is tracked and reconciled against the bank statement, and the legal limits are under observation.

Next comes the part where accounting stops being merely a record of paper and starts measuring physical things: the goods in the warehouse, the hours people worked, the wear on a piece of equipment. These are phases four, five, and six, and the first of them is inventory.

Exercise 17.1 — the ceiling, per day and per counterparty

On a given day, the business pays in cash to the same supplier, a legal entity: 2,000 lei in the morning, 2,000 at noon, and 1,500 in the evening, with three separate receipts. On the same day it collects 4,000 lei in cash from two customers.

Was anything violated? What should have been done?

SOLUTION

Yes. Payments to a legal entity are capped at 5,000 lei per day and per individual counterparty. Total paid: 5,500 lei, so an excess of 500 — and splitting it into three receipts doesn't get around the limit, it's exactly the pattern an audit looks for.

The receipts are fine: 4,000 lei, below the daily total ceiling of 10,000.

What should have been done: the first two payments in cash (4,000), the third through the bank. Or all three through the bank, which costs nothing and requires no checking.

The correct check, which software can perform: aggregation by DAY and by COUNTERPARTY, not by document. Anyone looking at individual receipts sees nothing — all three are below the ceiling.

The unjustified advance: how it becomes a tax problem

Account 542 seems the most harmless in treasury: money given to an employee, justified a few days later. Over time, however, it becomes one of the most expensive positions in the trial balance — and not because of the amount.

Justification is done with documents, within a deadline set by internal decision. Amounts not justified by the deadline don't remain a convenient receivable from the employee: from a tax perspective they become salary-type benefits, with everything that follows — income tax and contributions, calculated as for a salary.

WHAT AN UNJUSTIFIED ADVANCE OF 3,000 LEI COSTS

If treated as…	The consequence
a receivable from the employee	it's recovered from salary or repaid
a salary-type benefit	it's added to gross pay: CAS, CASS, income tax, plus CAM for the business
nothing — it stays in the balance, year after year	upon audit, it's reclassified as a benefit, with accessory charges for the entire period

The third option is the one chosen most often, because it requires no decision. It's also the most expensive.

> ***An old balance in 542 isn't an administrative oversight. It's a quantifiable tax risk that grows with every month no one asks about it.***

The check is simple and worth doing monthly, along with the reconciliation: the balance of account 542, broken down by person, with the date each amount was granted. Any position older than the internal deadline is a question worth asking — and a question asked in time costs a phone call, not a recalculation of contributions.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
compliance with the legal ceilings and limits for cash and payments	cash register, counterparties, fragmented documents, and the calculation of limits	aggregates transactions according to the legal rules and tests for fragmentation/chained payments	documents or payments artificially divided to stay under the ceiling

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Cash is limited by law because it's the only payment that leaves no trace with a third party.
- Four thresholds: 5,000 lei/day to a company, 10,000 lei/day to a natural person, 10,000 lei/day total receipts, 50,000 lei cash register balance.
- All are calculated PER DAY and per counterparty, not per document. Splitting into several receipts doesn't get around the limit.
- The balance ceiling can be breached even when all payments were correct — it's checked at the end of each day.
- All four can be calculated from data already recorded, so they have no business being kept in anyone's memory.
- Money given to an employee remains a receivable in 542 until justified; amounts not justified by the deadline become salary-type benefits.

Chapter 18

Inventory: in quantity and in value

So far, bookkeeping has tracked paperwork and money. Inventory is the first thing it tracks in two ways at once: how many pieces are in the warehouse and how much they are worth. The two records run in parallel and must match — and when they don't, the truth lies in the physical count, not in the software.

The difference from everything before is that goods move even without a document. A crate can break, a box can go missing, someone can take something "for a moment." That's why inventory is the only part of accounting that has, by law, a mandatory periodic confrontation with physical reality.

Receipt is simple. Issue is not.

When you buy goods, their value is written on the invoice: that's what it cost, no ambiguity. But when you sell, a question arises that the sales invoice does not answer: how much did the piece that left cost YOU?

If you bought the same product three times, at different prices — 10 lei, 12 lei, 11 lei — and you now sell one unit, which of the three left? Physically, you may no longer be able to tell. In accounting terms, you must choose a convention, and the choice changes both the recorded cost and the value of the remaining inventory.

THE SAME THREE RECEIPTS, TWO METHODS

Method	How it establishes the cost of the issue	What remains in stock
Weighted average cost	the average of the values in stock at the moment of issue	everything remaining, valued at the same average
FIFO	the cost of the oldest lot received, until it is exhausted	the newer lots, at their costs

Both are permitted. What is not permitted is changing the method from one month to another, depending on what suits the result.

At stable prices, the difference is negligible. At rising prices, FIFO gives a lower cost of issues — hence a higher profit and an inventory valued closer to the current price. Weighted average cost smooths both. There is no "more correct" method: there is one chosen and applied consistently.

> ***The method is chosen once and applied year after year. Consistency is what makes the figures comparable — not the method itself.***

Inventory locations (gestiuni): where exactly the goods are

A company with a warehouse and a shop does not have one stock, but two. The same goods can exist in both places, and the transfer between them is neither a sale nor a purchase — it is an internal movement, which affects neither revenues nor expenses.

The division into inventory locations (gestiuni) also has a consequence for accountability: each location has a custodian (gestionar), and at stocktaking, differences are established per location, not per company. A surplus in the warehouse does not offset a shortage in the shop, even if the company nets to zero overall.

The two entries of a sale

Chapter 14 already showed the complete entry for a sale, and it is worth revisiting from the inventory side here. The sale produces the revenue, but the goods leave separately, at their cost — not at the sale price.

GOODS PURCHASED FOR 600, SOLD FOR 1,000

Transaction	Debit	Credit	Amount
Receipt into the warehouse	371 Merchandise	401 Suppliers	600
Revenue from the sale	4111 Customers	707 Revenue	1.000
Issue from the warehouse	607 Expenses on merchandise	371 Merchandise	600

Account 371 receives 600 and gives 600: after the sale, its balance for this product is zero. The 400 gain is not written anywhere — it emerges from the difference between 707 and 607.

Omitting the third line is the classic mistake, and it's dangerous precisely because it's invisible: the trial balance stays balanced, but the inventory appears inflated by 600 lei that no longer exist physically, and the profit appears higher by exactly the same amount.

FOR THE ACCOUNTANT

The valuation method for issues is established through the entity's accounting policies and applied consistently; changing it is a change of accounting policy, with the corresponding treatment and disclosure, not a per-period option. Watch out for transfers between inventory locations under FIFO: if the internal transfer is valued at average cost, the method silently degenerates into weighted average cost at the first transfer, because the lots lose their identity — that's why the queue of lots must be transferred as such, not recalculated. For retail trade keeping records at sale price, account 378 and the related deferred VAT must be released proportionally at each issue, otherwise the balance of 371 stays at sale price, and the inventory in the balance sheet is overvalued by the markup. Finally, impairment adjustments for inventory (group 39) are recognized when net realizable value falls below cost — damaged, outdated, slow-moving goods — and should not be confused with inventory shortages: the former correct a value, the latter record a physical shortfall.

What follows

Inventory bought and sold is the simple case. When the company doesn't buy goods but produces them, an additional question arises: how much does what you made actually cost? That's the next chapter.

> **Exercise 18.1 — Weighted average cost or FIFO, on the same receipts**
>
> Receipts: 100 units × 10 lei, then 100 units × 14 lei. 120 units are sold.
>
> Calculate the cost of goods sold and the value of the remaining inventory, under both methods.
>
> SOLUTION
>
> Weighted average cost: total value 100×10 + 100×14 = 2,400 lei for 200 units, so 12 lei/unit. Issue: 120 × 12 = 1,440 lei. Remaining stock: 80 × 12 = 960 lei.
>
> FIFO: first the 100 units at 10 lei leave (1,000), then 20 at 14 lei (280) — total 1,280 lei. Remaining stock: 80 × 14 = 1,120 lei.
>
> The difference on the month's result: 1,440 − 1,280 = 160 lei. FIFO gives a lower cost, hence a profit higher by 160 lei, and a more valuable inventory by the same amount.
>
> The observation that matters: over the ENTIRE life of the inventory, the two methods give exactly the same cumulative result. Only the allocation between periods differs. That's why choosing the method is not an optimization, but a policy — and that's why it is disclosed in the notes and not changed from year to year.

Two records for the same thing

Inventory is the only asset item tracked simultaneously in two places, with different units of measure: the stock card counts pieces, accounting counts lei. They describe the same goods and must say the same thing — but they don't automatically check each other, because they don't speak the same language.

WHO KNOWS WHAT

Record	Unit	Who keeps it	What it catches
Stock card	pieces, kilograms, liters	the custodian (gestionar)	physical shortage, receiving error
Accounting	lei	the accountant	valuation error, wrong account
Stocktaking	both, cross-checked	the committee	everything the other two missed

Software keeps them together, but cannot confront them with reality. That remains the job of stocktaking — chapter 20.

From this comes a practical rule: any transaction that moves inventory must move both records at once. That's why correcting an entry with an impact on inventory is not done through the usual accounting reversal — it would leave the accounting right and the stock card wrong, and the two would silently diverge until stocktaking.

The inventory location (gestiune): where the goods are

A company with a single warehouse can ignore the concept. One with two — warehouse and shop, or central warehouse and points of sale — cannot, because the same goods can exist in both, and the total quantity doesn't say where.

The inventory location also has a purpose that isn't about record-keeping but about accountability: each has a custodian (gestionar), and shortages found at stocktaking are charged to a specific person. Without separate locations, a shortage in one warehouse gets lost in the company total.

Goods valued at sale price

In retail trade, a complication arises that's worth understanding, because it produces three accounts where you'd expect one. A shop cannot keep records at cost: on the shelf is the price with VAT, and the cash register sells at that price.

The solution is to value the inventory right at the sale price, and keep the difference from cost separately, in two adjusting accounts: the trade markup in 378 and the deferred VAT in 4428.

GOODS WORTH 1,000 LEI, WITH A 400 MARKUP AND REDUCED RATE OF 11%

What is recorded	Debit	Credit	Amount
Purchase cost	371	401	1.000,00
Trade markup	371	378	400,00
Deferred VAT at shelf price	371	4428	154,00
Inventory, at sale price	**371**		**1.554,00**

The 1,554 lei is exactly the shelf price. The REAL value of the inventory remains 1,000 — the rest are the two adjusting accounts, which are deducted in the balance sheet.

> ***At sale price, account 371 no longer shows how much the goods are worth, but how much is being charged for them. The balance sheet value is obtained by deducting 378 and 4428 — just as fixed assets are read by deducting depreciation.***

The consequence that surprises at the first balance sheet: account 371 can show 1,554 lei for goods that cost 1,000, without anything being wrong. Whoever reads the gross balance and draws conclusions about inventory is wrong by the markup plus the tax.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
existence, quantity, cost, and impairment of inventory	receipts, stock cards, stocktaking, movements, and cost calculation	test physically, reconcile quantity and value, and verify net realizable value	negative inventory, no movement, physical differences, or impossible margin

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Inventory is kept in two ways at once — in quantity and in value — and when there's a discrepancy, the truth lies in the physical count.
- Receipt has a known cost from the invoice; issue requires a convention: weighted average cost or FIFO.
- No method is more correct than the other; consistency is what makes the figures comparable.
- A transfer between inventory locations is neither a sale nor a purchase — and surpluses in one location do not offset shortages in another.
- A sale requires TWO entries: the revenue and the release of the inventory. Without the second, inventory and profit appear inflated by the same amount.

Chapter 19

Production: from raw materials to finished product

A company that buys goods and sells them knows exactly what each unit cost it: it's written on the invoice. A company that produces has nowhere to read that figure — it must calculate it, and the calculation is the only operation in accounting where the value of a good is built up, rather than taken over.

Hence the difficulty: the production cost is not a figure found, but one decided. What exactly goes into it is a choice governed by rules, and on it depends both the value of the inventory on the balance sheet and the result for the period.

What goes into the cost and what does not

PRODUCTION COST

Included	Not included
Raw materials actually consumed	Administrative expenses
Direct labor of those producing	Selling expenses
Depreciation of equipment used	Losses from above-normal scrap
Utilities of the production department	Financial expenses, as a rule

The fundamental rule: what was necessary to bring the good to its current condition and location is included. The rest are expenses of the period.

The distinction has immediate consequences. An expense included in the cost remains in inventory until sale, so it does not affect the current month's result. The same expense left out hits the result now. It's not a matter of preference: inflating the production cost with administrative expenses is one of the oldest ways to show a profit that doesn't exist.

> ***What you put into the cost you defer; what you leave out you pay for now. That's why the rule is not up to the company's discretion.***

The recipe: consumption known in advance

For repetitive production, the quantities of materials needed for a product are known: so much wood, so much paint, so many screws. This list is called a recipe or specific consumption, and its practical usefulness is twofold.

First, it eliminates the need to manually enter consumption at each production run: you declare how much was produced, and the materials are automatically deducted from inventory, in the proportions from the recipe. Then — and this is the more valuable part — it makes visible the difference between theoretical and actual consumption. When ten meters of material yield eight products instead of ten, the difference is not an accounting error: it's a process loss, and accounting is the place where it becomes measurable.

The two movements of a production run

A completed production generates two opposite entries: materials leave inventory, the finished product enters.

PRODUCTION WITH MATERIALS OF 600, PRODUCT OBTAINED

Operation	Debit	Credit	Amount
Consumption of raw materials	601 Raw materials expenses	301 Raw materials	600
Entry of the finished product	345 Finished products	711 Revenue related to costs	600

Account 711 is not actual revenue: it's the mechanism through which the consumed expense is "preserved" in the inventory value until sale.

This pair explains something puzzling at first glance: why production, taken alone, produces neither profit nor loss. The consumption of 600 hit the result, and the entry of the product offset it by exactly that amount. The gain appears only at sale, when the product goes out at a price higher than its cost.

FOR THE ACCOUNTANT

The production cost is established according to accounting regulations and includes the acquisition cost of raw materials and materials consumed, other direct expenses, as well as the rationally allocated share of indirect production costs; general administrative expenses, selling expenses, and losses beyond normally admitted limits are not included. The allocation of indirect expenses is based on normal production capacity, not actual capacity — significant underactivity must not be allowed to inflate the unit cost, the portion related to unused capacity being an expense of the period. Account 711 ensures the correspondence between inventory variation and the result, and its balance at the end of the period reflects exactly the difference between the final and initial inventory of products and work in progress; checking it is a useful control, since an incomplete write-off at sale shows up there before it shows up in the margin. For work in progress at the end of the period, the valuation is done at the actual cost of the stage reached, and its physical inventory count — not just the recorded one — is mandatory, being the area with the highest risk of inventory overvaluation in all of accounting.

What's next

Purchased inventory and produced inventory both sit in the warehouse, valued according to rules. The question remains that no recorded evidence can answer: are they still there? That's the next chapter.

Exercise 19.1 — what goes into the product cost

A company produces furniture. For a batch, the following were consumed: wood 6,000 lei, hardware 900, direct labor involved 4,200, workshop energy 800, the accountant's salary 3,000, rent for the finished goods warehouse 1,100, sales commission paid to an agent 700.

What is the production cost of the batch?

SOLUTION

Included in the cost: wood 6,000, hardware 900, direct labor 4,200, and workshop energy 800 — that is, direct materials, direct labor, and indirect production expenses. Total: 11,900 lei.

NOT included: the accountant's salary (administrative expense), the finished goods warehouse rent (selling expense, subsequent to production), and the agent's commission (selling expense). These are expenses of the period, not of the product.

Why it matters: if the batch is not sold this month, the 11,900 remains in inventory, as an asset, and does not affect the result. The 4,800 lei of period expenses affect it regardless.

The frequent mistake, in both directions: including administrative expenses in the cost inflates inventory and artificially defers the loss; excluding workshop energy undervalues inventory and shifts profit to the month of sale.

What happens with what wasn't finished

Production rarely stops exactly on the 31st of the month. At closing there are almost always things started and unfinished — parts on the line, an order half done, a service in progress. They have consumed materials and hours, so they have value, but they are not yet products.

For this, work-in-progress accounts exist: 331 for products and 332 for services. They accumulate the cost incurred up to the closing date, and in the following month they are resumed, when the work continues.

Without them, the month in which a large job begins shows a loss that doesn't exist — all expenses, no revenue — and the month in which it ends shows inflated profit. Work in progress is, therefore, also a matter of timing delimitation, like the one in chapter 28, only it is resolved in inventory, not in accrual accounts.

The recipe: from a product to its consumptions

A company that produces the same thing multiple times does not recalculate what goes into it each time. It's written once — the quantities of raw materials for one unit or for a reference batch — and it's called a recipe, or, in production language, a bill of materials.

Its usefulness is twofold. Practically: when launching an order, consumption is calculated by multiplication, not by memory. From an accounting standpoint: the theoretical cost of the batch can be compared with the actual one, and the difference between them is management information that nothing else provides.

RECIPE FOR 10 UNITS, ORDER OF 25

Material	For 10 units	For 25 units	Unit cost	Value
Wood (m²)	4,00	10,00	150,00	1.500,00
Hardware (set)	10,00	25,00	36,00	900,00
Varnish (liters)	1,20	3,00	80,00	240,00
Total materials				**2.640,00**

The factor is 2.5 and applies to each line. Labor and indirect expenses are added on top, at actual cost.

It's worth noting what the recipe does NOT do: it does not impose. Actual consumption may differ — a broken piece, an unused remainder — and the consumption slip records what was actually consumed, not what was planned. The recipe is a calculated proposal, not a record.

> ***The difference between recipe consumption and actual consumption is not an accounting error: it's precisely the information for which it's worth having a recipe.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
complete and correct transformation of costs into finished production	recipes, consumption/handover slips, reports, work in progress, and cost calculations	re-execute the quantity flow and cost allocation for selected batches	impossible yield, outdated standard consumption, or production without handover

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- In production, the cost is not read from an invoice: it is constructed, according to rules.
- What was necessary to bring the good to its current condition is included; administrative and selling expenses remain expenses of the period.
- What you include in the cost you defer until sale; what you leave out hits the result now — that's why the rule is not optional.
- The recipe automatically deducts materials and, more importantly, makes visible the difference between theoretical and actual consumption.
- Production by itself produces neither profit nor loss: the consumption is offset by the entry of the product. The gain appears at sale.

Chapter 20

Stocktaking

Stocktaking is the moment when accounting admits it might be wrong. All the other checks in this book compare figures with other figures; this one compares figures with the world — actually counting what is in the warehouse, in the cash register, in the business.

It's also the only accounting operation that cannot be done from an office. Someone has to go, count, and write down what they found. That's precisely why it's mandatory by law, at least once a year, before the financial statements are prepared.

Why differences appear even when no one is stealing

The first reaction to an inventory shortfall is suspicion. Most of the time, the explanation is more mundane and worth knowing, because it completely changes how it should be treated.

WHERE DIFFERENCES COME FROM

Cause	What kind of difference
An unrecorded outgoing document	book shortfall — the goods really did leave
A receipt recorded twice	book shortfall — the goods never came in twice
Deterioration, breakage, expiry	real shortfall, with known cause
Measurement errors for bulk products	small differences, in both directions
Theft	real shortfall, with cause to be established

The first two are not shortages: they are recording errors, and treating them as shortages hides the real problem.

That's why the correct order when dealing with a stocktaking result is: first look for recording errors, then confirm the shortage. A shortfall recorded as a loss, when in fact a delivery note was missing, "resolves" the difference and leaves behind an unbilled sale.

How the result is recorded

Once the real differences have been established, they are recorded, and the accounting treatment is brief and worth knowing.

THE THREE SITUATIONS

Situation	Journal entry	What it means
Inventory surplus	3xx = 758	the company has more than it knew it had — recorded as revenue
Non-chargeable shortfall	60x = 3xx	the shortfall becomes an expense of the company
Shortfall charged to the custodian	4282 = 7588 + 4427	the company has a receivable against the responsible person, plus VAT

The third situation is the only one where VAT appears: recovery from the custodian is, for tax purposes, a taxable operation.

Charging is not automatic and not mandatory. It presupposes that liability has been established — which requires a procedure, not just a difference in a table. A shortfall charged without grounds quickly turns into a labor dispute that the company loses.

> ***Stocktaking does not end with a figure, but with a minutes report: what was counted, what came out differently, and what was decided for each difference.***

What is actually inventoried

The word brings to mind the warehouse, but stocktaking concerns the entire patrimony. Goods and materials are counted, but the cash register and balances with partners are also checked — through confirmation requests — and the physical existence of fixed assets is verified.

The last part is the one most often skipped and the most instructive. A company that inventories its fixed assets often discovers equipment scrapped long ago that still appears in the records and on which depreciation continues to be calculated — or, conversely, equipment used daily and never recorded.

FOR THE ACCOUNTANT

The general stocktaking of assets, liabilities, and equity items is mandatory at least once during the financial year, and the results are recorded in the inventory register; the rules on organizing and carrying out stocktaking establish the composition of the commission, the procedure for custodian's declarations, the listing method, and the treatment of surpluses and shortfalls. Offsetting surpluses against shortfalls is allowed only strictly limitedly — for the same custody period, for confusable item types, within quantity limits and with written justification — and cannot be used as a general method for smoothing differences. For non-chargeable shortfalls related to goods for which VAT was deducted, adjustment of the tax is mandatory under Articles 304-305 of the Tax Code, except for technological losses within established limits; omitting the adjustment is one of the most frequent findings in VAT inspections. Valuation at stocktaking is done at inventory value, and a decrease in value compared to cost — without physical shortage — is reflected through impairment adjustments, not by writing off from the records.

What comes next

With stocktaking, the part about things comes to an end. Next comes the part about people: the payroll, the most heavily regulated monthly operation in all of accounting.

> **Exercise 20.1 — surplus and shortfall in the same stocktaking**
>
> At stocktaking, for the same custody unit, a surplus of 12 units of product A (cost 40 lei/unit) and a shortfall of 15 units of product B (cost 30 lei/unit) are found.
>
> (a) Can they be offset? (b) What is recorded?
>
> SOLUTION
>
> (a) As a rule, no. Offsetting surpluses against shortfalls is allowed only between confusable item types, from the same group, within quantity limits and with justification — not as a way of making the total come out even.
>
> (b) The surplus: 12 × 40 = 480 lei, recorded as a stock inflow, offset by operating revenue.
>
> The shortfall: 15 × 30 = 450 lei, leaves stock as an expense. If chargeable, it is billed to the custodian at the charging value, with output VAT applied. If non-chargeable, the VAT deducted on purchase is adjusted.
>
> What is lost through offsetting: 480 − 450 = 30 lei might seem "almost nothing." But offsetting hides TWO real problems — an unrecorded inflow and an unrecorded outflow — and next month both will repeat, because no one looked for the cause.

The procedure, because without it the result cannot be defended

Stocktaking has a form prescribed by regulations, and the form is not bureaucracy: it's the only thing that turns a count into evidence. A shortfall found without procedure cannot be charged to anyone, and a surplus cannot be justified during an audit.

THE STEPS, IN ORDER

Step	What it produces	Why it cannot be skipped
The stocktaking decision	names the commission, the period, the custody units	without it, no one knows who is responsible for the count
The custodian's declaration	before the counting	they declare that they have handed over all documents
The stocktaking lists	the actual quantities, signed	they are the primary document of the operation
Comparison with the book records	the differences, for each item	this is where surpluses and shortfalls appear
The minutes report	the causes and the commission's proposals	turns differences into decisions
The recording	the journal entries	only now does accounting come into play

The custodian's declaration is given BEFORE the counting, not after. If given after, it could be adjusted to match what came out.

The order has a logic worth seeing: the first three stages produce facts, the fourth produces differences, the fifth produces explanations, and only the sixth touches the figures. Whoever jumps straight to the last one ends up with entries lacking a written reason — exactly what cannot be defended two years later.

Offsetting and shrinkage allowances

Two mechanisms reduce differences before they are recorded, and both apply restrictively, not as a method for making the total come out even.

Offsetting surpluses against shortfalls is allowed only between confusable item types, from the same group, within the limit of the smaller quantities, and only if the commission justifies the confusion. It is not an equalization of the total: two different products that cancel out in value remain two distinct problems.

Shrinkage allowances cover natural losses from handling, transport, or storage — evaporation, breakage, drying — within limits established by Government decision, by category of goods. They are granted only when an actual shortage is found and only up to the legal limit: beyond it, the rest remains a chargeable or non-chargeable shortfall.

> ***Neither offsetting nor shrinkage allowances explain a shortage. They only acknowledge that part of it was foreseeable. The rest requires an answer.***

Not just inventory

The word "inventory" brings to mind the warehouse, but the obligation concerns the entire patrimony: fixed assets, receivables, liabilities, cash and cash equivalents, even off-balance-sheet items.

Stocktaking of receivables is not done by counting, but by confirmation: the partner is asked to confirm the balance. It's the procedure that uncovers invoices they never received, payments allocated incorrectly, and receivables that no longer exist. For fixed assets, the count confirms that the item in the register still physically exists — and, in the case of undeclared disposals, that's where it shows up.

The result of the entire operation is recorded in the inventory register, which is a mandatory register, alongside the journal register and the general ledger. Without it, financial statements are prepared on figures that were never checked against reality.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
the physical existence and valuation of all inventoried items	decision, commissions, lists, confirmations, minutes report, and valuation notes	observe/retest selections and trace differences through to approval and recording	lists pre-filled from accounting or differences offset without analysis

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Stocktaking is the only check that compares figures with the world, not with other figures. It is mandatory annually, before the balance sheet.
- Most differences are recording errors, not shortages. Documents are checked first, then the shortage is confirmed.
- The surplus is recorded as revenue; the non-chargeable shortfall becomes an expense; the charged one creates a receivable against the custodian, with VAT.
- Charging presupposes liability established through procedure, not just a difference in a table.
- The entire patrimony is inventoried, not just the warehouse — including fixed assets, where the biggest surprises appear.

Chapter 21

The Payroll

Payroll is the most regulated monthly operation in accounting and, for a business owner, the most counterintuitive. The reason is simple: between what an employee costs the company and what they actually receive, there is a gap that no one gets right on the first try.

This chapter traces the path from gross to net and, more importantly, shows where the difference goes — because part of it is not deducted from the salary but added on top of it, as a burden on the company.

The path from gross to net

Gross salary is the starting point. From it, the employee's contributions and income tax are withheld, in this order — the order matters, because the tax is calculated on what remains after contributions, not on the gross amount.

A GROSS SALARY OF 5,000 LEI IN AUGUST 2026, STEP BY STEP

Step	Rate	Amount
Gross salary		5.000
minus CAS (pension)	25%	1.250
minus CASS (health)	10%	500
minus personal deduction		570
= taxable base		2.680
minus income tax	10%	268
= net salary		2.982

In August 2026, the minimum wage is 4,325 lei. The personal deduction is not a sum received but a portion of income that is not taxed; it reduces the tax by 10% of its value.

Out of 5,000 gross lei, in the August 2026 example the employee receives 2,982. The difference of 2,018 does not stay with the company: 1,750 are the employee's contributions, remitted to the state, and 268 is income tax. The company gains nothing from the withholding — it is merely the intermediary obligated to remit it.

What the employee actually costs

This is business owners' most common calculation mistake. The cost is not the gross salary, because on top of it the company also owes a contribution of its own.

TOTAL COST TO THE COMPANY

Element	Amount
Gross salary	5.000
Work Insurance Contribution (2.25%)	112,50
Total cost	**5.112,50**

The ratio worth remembering: for a net of approximately 2,982 lei, the company pays 5,112.50 — about 1.7 times more.

> ***The gross is not the cost, and the net is not the gross. Three different figures, which a business owner confuses until they see them laid out side by side.***

The two entries of the month

In accounting terms, payroll produces two distinct operations, at different times: recording the amounts owed, at the end of the month, and their actual payment, usually in the following month.

The distinction echoes the idea from Chapter 15: the expense is recorded when the obligation arises, not when the money leaves. December's salary is December's expense, even if it is paid in January — otherwise the year's result would be off by a full month of wages.

Why payroll isn't calculated by hand

The example above is the simplest case possible: a full salary, a full month, no absences. Reality brings paid leave calculated on the average of the last few months, sick leave paid partly by the company and partly by the fund, part-time schedules with their own rules, bonuses, deductions, advances, meal vouchers.

Each of these has its own formula and interacts with the others. That's why payroll is the area of accounting where manual calculation is riskiest and automation most valuable — with one condition: the rates and thresholds must come from a dated source, not be hard-coded, since they change often.

FOR THE ACCOUNTANT

The applicable rates are CAS 25% and CASS 10% borne by the employee, income tax 10% after contributions and the personal deduction, and CAM 2.25% borne by the employer (art. 138, 156, 78 and 220^3 of the Tax Code). From 1 July 2026 the minimum wage is 4,325 lei, per HG 146/2026. For July–December 2026, the amount of 200 lei/month out of the minimum wage is exempt from tax and contributions if the cumulative conditions of OUG 89/2025 are met, including the gross income ceiling of 4,600 lei; this benefit must not be confused with the personal deduction. Three areas produce most corrections. First: the bases do not coincide — the non-taxable amount reduces both the tax and contribution bases, while the personal deduction reduces only the tax base. Second: for part-time schedules below the minimum wage, the difference in contributions is borne by the employer, with legal exceptions. Third: sick leave has differentiated treatment by code for CAS, CASS, CAM and the employer/FNUASS split; D112 must be reconciled with accounts 641, 421 and 43x before submission, per employee and in total.

What's next

A correctly calculated payroll is a necessary condition. It is not, however, sufficient: some of the employee's entitlements are not granted automatically, but only if someone requests them. That is the subject of the next chapter, and it is the most expensive chapter of this part.

Exercise 21.1 — what a pay raise actually costs

An employee earning 5,000 lei gross asks for a raise of 500 lei net. The company wants to know how much this will cost it.

Calculate, approximately, the necessary gross amount and the total cost, using the rates from the chapter and ignoring the personal deduction.

SOLUTION

From the gross, 25% CAS and 10% CASS are withheld, leaving 65%. From this 65%, the 10% tax is deducted, so the net is 65% × 90% = 58.5% of the gross.

For the net to increase by 500 lei, the gross must increase by 500 ÷ 0.585 ≈ 855 lei. The new gross: approximately 5,855 lei.

The company's cost increases by the gross amount plus the insurance contribution: 855 × 1.0225 ≈ 874 lei per month, or over 10,400 lei per year.

The ratio to remember: for every extra leu in the employee's hand, the company pays approximately 1.75 lei. That's the figure the salary discussion revolves around, and it's the only one that matters for both parties — the rest is the state's arithmetic.

Paid leave: same money, different label

Vacation days are not paid with the salary but with an allowance calculated on the daily average of gross earnings over the last three months. And from this follows something surprising: at a constant salary, a month with vacation looks identical to one without.

THE SAME MONTH, WITH AND WITHOUT PAID LEAVE (5,000 LEI GROSS, 21 WORKING DAYS)

Situation	Salary for days worked	Leave allowance	Taxable gross	Net	Company cost
Full month	5.000,00	—	5.000,00	the same in both scenarios	5.112,50
5 days of leave	3.809,52	1.190,48	5.000,00	the same in both scenarios	5.112,50

With constant salary and average, the salary decreases proportionally with unworked days, and the allowance fills the gap exactly. The net and cost remain unchanged; the net value is calculated using the fiscal parameters of the specific month.

This equality, however, only holds at a constant salary. If in the last three months the employee had bonuses or overtime, the average is higher than the base salary — and the month with leave costs the company more than a regular one. This is why the allowance is calculated on the average and not on the current salary: the law protects the employee's usual income, not that of the month in which they leave.

Sick leave in 2026: a reduced day and two funding sources

For certificates issued between 1 February 2026 and 31 December 2027, OUG no. 91/2025 introduced a temporary rule: the allowance is calculated and paid with a one-day reduction. For temporary incapacity for work under the normal regime, the employer bears the allowance from the second day up to and including the sixth day of incapacity, and FNUASS from the day following those borne by the employer. The working days within these intervals are paid; calendar days determine the position within the leave period. There are exceptions and allowances borne entirely by the fund, which must be checked by code.

JUNE 2026: ORDINARY ILLNESS, THE EFFECT OF DURATION AND CALENDAR (DAILY AVERAGE 238.10 LEI)

Certificate	Sick leave working days	Reduced day	Days paid by the employer	Days paid by FNUASS	Total gross allowance
Monday 8 – Friday 12 June (5 calendar days)	5	1 working day	4	0	523,81 (55%)
Thursday 11 – Monday 15 June (5 calendar days)	3	1 working day	2	0	261,90 (55%)
Monday 8 – Wednesday 17 June (10 calendar days)	8	1 working day	4	3	1.083,33 (65%)

For code 01, the percentage is set per episode: 55% up to 7 days, 65% for 8–14 days, and 75% beyond 15 days. The table explains the number of days and the gross amount; the net and contributions are calculated according to all rules applicable to the certificate.

For the five-day certificate starting on Monday, five working days are missing from the salary, but only four are compensated under this temporary regime. For the certificate starting on Thursday, the weekend occupies two of the calendar days within the employer's interval, leaving only two working days compensated. For the ten-day certificate, working days starting from the seventh calendar day fall under FNUASS's responsibility.

> ***For certificates issued between 1 February 2026 and 31 December 2027, do not automatically apply the historical rule 'the employer bears the first five days.' Identify the reduced day, count the intervals in calendar days, and pay only the working days corresponding to each source.***

Separately from the funding source, the allowance percentage, calculation base, and CAS, CASS, CAM treatment depend on the code and duration. For an uninterrupted leave, the reduction is applied only once per episode, regardless of the number of certificates, per Law no. 64/2026 and the norms updated by Order no. 506/2026. From 1 July 2026, an extension into the following month that moves the episode into a higher percentage bracket may trigger a recalculation of the difference for the previous month; the difference is included and declared in the month of recalculation, per OUG no. 89/2025.

VERIFYING THE SICK LEAVE CERTIFICATE IN THE PAYROLL AND D112

Check	Evidence	Error caught	Follow-up
Date and continuity of the episode	initial/continuation certificate and medical register	reduction applied multiple times or not at all	episode file
Calendar and schedule	calendar interval, working days and time sheet	days assigned to the wrong source	daily recalculation
Code, percentage and contributions	certificate, six-month base and dated parameters	percentage or contribution applied generally	payroll-D112 reconciliation
Recoverable from the fund	summary sheet, D112, request and the fund's response	receivable not recovered or overstated	tenure and confirmation

The temporary rule stems from OUG no. 91/2025, approved with amendments by Law no. 64/2026, and from the norms updated by orders no. 521/2026 and no. 506/2026. The file must retain the version of the parameters that produced the payroll.

The error is not visible through the payroll balancing correctly: the software can perfectly calculate an outdated rule. An effective check compares the certificate's date with the rule's version, then reconciles the days and amounts borne by the employer and by FNUASS with D112 and with the receivable to be recovered.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
accuracy of payroll and compliance with salary obligations	contracts, time sheets, payroll records, leave, payments and D112	recalculates gross-to-net and cost for employees and months at risk	global parameters changed without a validity date or test

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Tax is calculated after deducting contributions and the personal deduction, not on the gross amount.
- The gross, net and company cost are three different figures: 5,000, 2,982 and 5,112.50 in the August 2026 example.
- The company gains nothing from payroll withholdings — it is merely the intermediary obligated to remit them.
- The month's salary is the month's expense, even if paid the following month.
- Rates and thresholds must come from a single, dated source: they change often, and an outdated rate buried in the code will be discovered too late.

Chapter 22

Rights that are lost if you don't claim them

This chapter was written after an incident, and the incident deserves to be told, because it is more instructive than the rule it illustrates.

In an accounting program, the employee record had a field called "Dependents". The field appeared filled in with zero — the digit zero sat there, gray, in the box. In reality it was empty: the zero was only a visual placeholder, not a value. And the program only granted the personal deduction if that field had been filled in.

The result: employees whose records had been filled in normally, without anyone touching that field, received no deduction at all. In August 2026, at a gross salary of 5,000 lei with no dependents, that means 57 lei extra tax each month — 684 lei per year per person, paid to the state without being owed and deducted from the net pay of people who had no way of finding out.

> ***A right granted "if requested" is a right that gets lost. Not out of bad faith, but because no one checks what wasn't flagged to them.***

What the personal deduction is

The personal deduction is a portion of salary income that is not taxed. It's not an amount received on top, but a reduction of the tax base — its cash effect is 10% of the deduction's value, i.e., exactly the tax that is no longer paid.

It is granted at the basic job, meaning the main place of employment, and its size depends on two things: how many dependents the employee has and how large their salary is.

HOW THE DEDUCTION DECREASES AS SALARY RISES

Gross salary	Deduction	Tax saved
at minimum wage level	maximum	10% of it
above minimum, below threshold	decreases proportionally	proportional
above minimum wage + 2,000 lei	zero	zero

The decrease is linear: the closer the salary gets to the threshold, the closer the deduction gets to zero. Above the threshold, no deduction is granted at all.

At a salary of 5,000 lei, with the minimum wage of 4,325 lei applicable from July 2026, the basic deduction is 570 lei with no dependents — and the tax drops from 325 to 268 lei. With two dependents, the deduction rises to 1,000 lei, and the tax drops to 225 lei. The calculation is automatically redone when the minimum wage changes; a figure copied from the previous semester immediately becomes wrong.

Zero doesn't mean "none"

The core of the incident lies in a confusion that appears often, not just in software: between "I have zero dependents" and "I haven't filled in the field."

These are different things. An employee with zero dependents is entitled to the basic deduction — the smallest of the options, but not zero. An unfilled field says nothing about their situation; it only says that someone wrote nothing there.

A system that treats them the same silently chooses the option that disadvantages the person. And if no one looks at the "deduction" line on the payslip — and usually no one does, because the net pay seems plausible — the error can last for years.

How to check, in two minutes

The check requires no specialized knowledge. Open the payslip for the month and look at the deduction column.

WHAT YOU SHOULD SEE

Employee situation	The deduction should be
salary at or below minimum, basic job	maximum
salary between minimum and minimum + 2,000	between maximum and zero
salary above minimum + 2,000	zero — correct
second job	zero — correct

If you see zero where you shouldn't, the question isn't "why", but "since when".

The last column of the table also contains the only case where zero is the correct answer: a second job. The deduction is granted only once, at the basic job — and if an employee receives it at two jobs at once, the difference will be reclaimed from them.

FOR THE ACCOUNTANT

The personal deduction is granted under art. 77 of the Tax Code at the place where the basic job is held, for monthly gross income up to the minimum wage plus 2,000 lei, decreasing progressively as income rises; it includes the basic deduction, set as a percentage of the minimum wage depending on the number of dependents, and the additional deductions — for young employees and for children in education. Two practical observations. First: the absence of information about dependents is not equivalent to the absence of the right; in the absence of the employee's declaration, the deduction corresponding to the situation with no dependents is granted, not zero — and the employee's own-responsibility declaration, along with supporting documents, must be kept in the personnel file, since it is the basis for deductions above the basic level. Second: changes in situation — a person entering or leaving dependent status, turning 26, a child finishing their studies — take effect starting the month following communication, and failure to update them generates differences that must be reconciled, in both directions, with impact on already-filed D112 forms.

The general rule, beyond this case

The personal deduction is the costliest example, but the pattern is broader. Anywhere a right is granted "upon request" or "if filled in", it is lost for those who don't know they must ask — that is, exactly for those who would need it most.

That's why, for any system that calculates entitlements, the right question isn't "what happens if I check the box", but "what happens if I check nothing at all". A poorly chosen default costs real money, silently, on every run.

Exercise 22.1 — the two-minute check

In a payroll, three employees earn the minimum wage, two have 5,000 lei gross at their basic job, and one has 5,000 lei at a second job. The "personal deduction" column shows zero for all six.

How many of the six zeros are correct?

SOLUTION

Only one: the one for the second job. The deduction is granted at the basic job, so zero is the correct answer there.

The other five are wrong. The three earning minimum wage are entitled to the maximum deduction. The two earning 5,000 lei gross are below the threshold of minimum wage plus 2,000, so they are entitled to a reduced but not zero deduction.

The cost of the error, in August 2026, for the two earning 5,000 lei: 57 lei per month each, i.e., 684 lei per year per person. For the three earning minimum wage, more.

How to catch it: not by recalculating the entire payroll, but by looking at a single column. Zero where it shouldn't be is a question to ask immediately — and the question isn't "why", but "since when".

The curve, in figures

The chapter said the deduction decreases proportionally with salary. It's worth seeing the whole curve, because it produces an effect that neither the employee nor the business owner suspects.

DEDUCTION FOR AN EMPLOYEE WITH NO DEPENDENTS (MINIMUM WAGE 4,325, SECOND HALF OF 2026)

Gross salary	Deduction	Tax saved
4.325	870	87,00
4.575	760	76,00
4.825	650	65,00
5.325	440	44,00
5.825	220	22,00
6,325 and above	0	0,00

The deduction decreases progressively and is rounded according to tax rules. The table is time-bound: a change in the minimum wage shifts all thresholds and all amounts.

The effect nobody sees

Because the deduction decreases along with salary, a raise granted within the phase-out band reaches the employee in a smaller proportion than one granted above it. It's not an impression — it can be measured.

THE SAME 250-LEI GROSS RAISE, IN TWO PLACES

From … to	The deduction	Net pay increases by	Reaches the employee
5.000 → 5.250	570 → 460	135,25	54,1%
7.000 → 7.250	0 → 0	146,25	58,5%

The same gross amount, the same cost for the company — but four percentage points less in the employee's pocket, because the raise also cuts into the deduction.

The difference is small on a single raise and becomes visible in a negotiation: an employee earning 5,000 lei gross who asks for "another 200 in hand" needs a bigger raise than one earning 7,000, even though the request sounds identical. Anyone calculating the required gross with the usual formula — net divided by 58.5% — gets it wrong exactly in the band where most salaries fall.

> ***Between the minimum wage and the minimum wage plus 2,000, each additional leu of raise brings less into hand than above the threshold. It's the only zone in the pay scale where the effective rate is higher than the legal one.***

When the situation changes during the year

The deduction is not set once and for all. It depends on the number of dependents, and that changes — a child is born, a parent becomes a dependent, a child turns 26 or finishes their studies.

The rule is that the change takes effect starting THE MONTH FOLLOWING the one in which it was communicated, based on the employee's declaration and supporting documents. Two practical things follow from this: the change must be communicated, not assumed; and a delay in communication is not retroactively recovered indefinitely.

The consequence for the employer is a filing obligation, not a calculation one: the own-responsibility declaration and the documents stay in the personnel file, since they are the basis for any deduction above the basic level. Without them, in an audit, the deduction granted becomes tax owed.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
individual application of salary deductions and benefits	employee declarations, dependents, basic job, and calculation	check eligibility monthly and re-run the personal deduction	the same deduction copied for everyone or kept unchanged after a change in situation

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The personal deduction reduces the tax base, it's not received in cash; its effect is 10% of the deduction's value.
- It is granted at the basic job and decreases progressively, down to zero above the minimum wage plus 2,000 lei.
- Zero dependents does NOT mean zero deduction — the employee is entitled to the basic deduction.
- An unfilled field is not information; systems that treat it as "no entitlement" silently disadvantage the employee.
- The check takes two minutes, by looking at the deduction column on the payslip.
- The general rule: for any right granted "upon request", ask what happens when you request nothing.

Chapter 23

Fixed Assets and Depreciation

A pack of paper bought today is consumed this month. A piece of equipment bought today is consumed over five years. Accounting must distinguish between them, otherwise the result for the month in which you bought the equipment would show a loss that doesn't actually exist.

The mechanism that makes this distinction is called depreciation, and it is the best example in the whole book of the principle stated in chapter 1: an expense is recognized when the asset is consumed, not when the money leaves.

What Is a Fixed Asset

For accounting purposes, an item is recognised as a fixed asset when the company controls it, expects economic benefits from its use and intends to use it for more than one year; the capitalisation threshold is set by accounting policy with regard to materiality. The tax concept is narrower: from 2026, a depreciable fixed asset must have a tax value of at least 5.000 lei under Article 28(2)(b) of the Tax Code, a limit that may be updated annually for inflation by government decision. Document the two tests separately.

A 2.000 lei telephone used for three years may be expensed immediately under the company's approved capitalisation threshold, while remaining a controlled item tracked in the inventory records if policy requires. A 200.000 lei stock of merchandise is not a fixed asset, regardless of amount: it is held for sale rather than use. Value alone does not determine classification.

WHERE FIXED ASSETS SIT IN THE CHART OF ACCOUNTS

Account	What It Includes
205, 208	intangible: licenses, patents, software
211	land — the only one that does NOT depreciate
212	buildings
2131	technological equipment: machinery, equipment
2133	means of transport
214	furniture, office equipment
231	assets under construction — not yet ready for use

Land is an exception because it does not wear out. Improvements made on it are depreciated; the land itself is not.

Depreciation: Spreading the Cost Over the Useful Life

Depreciation spreads the value of an asset over the months it will be used. A piece of equipment worth 60,000 lei with a useful life of five years means sixty months of 1,000 lei each — and those 1,000 lei become the expense for each month.

The entry is the same every month: debit 6811 Operating Expenses regarding Depreciation and credit the corresponding depreciation account from group 28. No cash account appears — and it's important to understand why.

> ***Depreciation is an expense that is not paid. The money left only once, at purchase; depreciation merely recognizes, gradually, that the asset is being consumed.***

The practical consequence is that a company with high depreciation can have low profit and cash in the bank — and vice versa. This is the most common case where the business owner asks where the money is if profit is low, and the answer is: in the equipment bought last year.

When It Starts

Depreciation begins in the month following the asset's commissioning, not the month of purchase and not from the date of purchase. Equipment received on March 20th is first depreciated in April, with the full month's amount.

Commissioning is a distinct moment from purchase, and the distinction has its own account: 231 Assets Under Construction. Equipment bought in March and installed in June sits in 231 until June and is not depreciated at all in the meantime — because it has not been used.

The Useful Life Is Not Chosen by Preference

The normal useful life comes from an official catalog, approved by government decision, which covers practically all categories of assets. The catalog does not give a single figure, but a range — for example, eight to twelve years — and the choice within the range belongs to the company.

It's worth understanding what's at stake in that choice. A shorter useful life means higher depreciation, hence higher expense, hence lower profit and lower tax — but also an asset that disappears from the balance sheet more quickly. It's a decision with an effect spanning years, made only once, at commissioning, and one that no one ever revisits.

That's why a useful life typed in from memory is one of the most costly silent mistakes in accounting: it produces no visible error, it unbalances nothing, and it affects the result every month, for years on end.

Three Methods, Same Total

The law allows three calculation methods. All three depreciate exactly the same value — they differ only in pace.

EQUIPMENT WORTH 60,000 LEI, 5-YEAR USEFUL LIFE

Method	First Month	What It Does
straight-line	1,000 lei	the same amount in each of the 60 months
declining-balance	1,500 lei	increased rate at the start, then switch to straight-line
accelerated	2,500 lei	50% in the first year, the rest over the remaining useful life

After five years, all three have depreciated 60,000 lei. They differ only in which year the expense appears.

Choosing the method is, therefore, a decision about where you want the profit to fall, not about how much you depreciate. The straight-line method is the default and most commonly used; the other two are chosen deliberately, usually for tax reasons.

Special 2026 rule: superaccelerated depreciation

For new assets in subgroup 2.1 — technological equipment, machinery, tools and production installations — and subgroup 2.4 — animals and plantations — acquired or produced and commissioned in 2026, Article 28(8^1) of the Tax Code permits superaccelerated depreciation: up to 65% of the tax value in the first year, with the remaining value allocated over the remaining normal useful life. This is a temporary tax facility; the fixed asset register must separately identify eligible assets and their commissioning dates.

> ***The 5.000 lei threshold and depreciation of up to 65% are TAX RULES applicable from 2026. The ACCOUNTING recognition policy remains a documented decision of the entity; the two records may legitimately carry different values.***

The Two Depreciations That Don't Match

Here we encounter one of the few situations where accounting keeps two parallel calculations for the same asset. Book depreciation reflects actual consumption and enters the accounting result. Tax depreciation is calculated according to the rules of the Tax Code and enters the profit tax calculation.

Usually they match. When they don't — because the company chose one method for accounting and another for tax purposes, or because the law caps the deduction — the difference is adjusted in the profit tax calculation, without affecting the accounting entries.

The most common case is the car: for passenger vehicles with no more than nine seats, tax-deductible depreciation is capped at 1,500 lei per month. A car worth 200,000 lei is depreciated in full for accounting purposes, but for tax purposes only up to this cap — the rest remains a non-deductible expense, every month, for the entire useful life.

The End: Disposal or Sale

An asset leaves the company's assets in two ways, and the two are not recorded the same way. Scrapping means taking out of use an asset that is no longer of use to anyone. Disposal means selling it — with a price, an invoice, and VAT.

In both cases, the operation has two halves, and the second is the forgotten one: removing the asset from the records. Accumulated depreciation is canceled and the remaining undepreciated value is expensed. Without this part, the asset remains on the balance sheet even though it no longer exists, and the result of the disposal comes out wrong.

> **FOR THE ACCOUNTANT**
>
> Tax depreciation is governed by Article 28 of the Tax Code, while normal useful-life ranges come from the catalogue approved by HG 2139/2004. For 2026, OUG 8/2026 increased the tax threshold for a fixed asset to 5.000 lei and introduced superaccelerated depreciation of up to 65% in the first year for eligible new assets in subgroups 2.1 and 2.4. Five practical points follow. First, the tax threshold does not replace the accounting capitalisation policy; differences are tracked in the tax records register. Second, the catalogue provides ranges, and the selected useful life must reflect expected use rather than tax minimisation. Third, declining-balance depreciation requires switching to straight-line when the latter becomes higher; failing to switch leaves an amount undepreciated at the end. Fourth, track accounting–tax differences cumulatively for each asset, including on disposal. Fifth, the 1.500 lei cap for M1 vehicles applies monthly and is not carried forward. The asset file includes the invoice, receipt, commissioning report, catalogue classification, approved useful life and method, accounting and tax calculations, improvements, stocktaking evidence and disposal document.

What Comes Next

An asset can be in a company's use without having been purchased. The most widespread form is leasing — and the monthly leasing installment is, in accounting terms, the best example of a payment that is not an expense. It is the last chapter of this part.

Exercise 23.1 — Depreciating a Car

The company buys a car for 180,000 lei (excluding VAT), useful life 5 years, straight-line method, commissioned on March 10th.

(a) From which month does depreciation start, and for what amount? (b) How much is tax-deductible? (c) What happens in the first year?

SOLUTION

(a) From April — the month following commissioning. Monthly book depreciation: 180,000 ÷ 60 = 3,000 lei.

(b) For passenger vehicles with no more than nine seats, deductible depreciation is capped at 1,500 lei per month. So of the 3,000 lei, half is non-deductible — every month, for the entire useful life.

(c) The first year has nine months of depreciation (April–December): 27,000 lei in accounting terms, of which 13,500 deductible and 13,500 non-deductible.

Watch out for a common mistake: the cap is MONTHLY and is not carried forward. Anyone who calculates "12 × 1,500 = 18,000 deductible per year" obtains a deduction larger than the legal one in a year with only nine months of depreciation.

In addition, separate limitations apply on top of this cap — the VAT limitation (50%) and the maintenance expense limitation (50%) — these are three distinct limitations, with different bases, and confusing them is the source of most tax audit adjustments.

The Car: Three Limitations That Get Confused

The passenger vehicle is the asset with the most complicated tax regime in a small company's entire accounting, and the reason is that the law limits it three times, in three different places, with three different bases. Anyone who confuses them makes mistakes in both directions.

THE THREE LIMITATIONS, ON A CAR WORTH 200,000 LEI

Limitation	What It Hits	How Much	When
VAT on Purchase	the tax on the invoice	50% of 42,000 = 21,000 non-recoverable	once only
Tax Depreciation	the monthly expense	deductible up to 1,500 lei/month	every month, for the whole useful life
Operating Expenses	fuel, repairs, insurance	50% non-deductible	every year

The bases are different: the first applies to the tax, the second to depreciation, the third to current expenses. They are not added together and do not substitute for one another.

The first limitation has an effect that many miss: the undeducted VAT is not lost, it enters the COST of the asset. The car's entry value is not 200,000, but 221,000 lei — and depreciation is calculated on this value.

WHAT COMES OUT, PER YEAR

Item	Amount
Entry value (200,000 + 21,000 undeducted VAT)	221.000,00
Monthly book depreciation (60 months)	3.683,33
of which tax-deductible	1.500,00
non-deductible, every month	2.183,33
Annual book depreciation	44.200,00
of which deductible per year	**18.000,00**

Over 26,000 lei of non-deductible expense every year, from depreciation alone — to which is added half of the maintenance costs.

> ***The 1,500 lei cap is MONTHLY and is not carried forward. A year with eleven months of depreciation has eleven caps, not twelve — and the calculation "12 × 1,500" gives a deduction larger than the legal one.***

All three limitations are lifted if the vehicle is used EXCLUSIVELY for business purposes, and the burden of proof lies with the company: a trip log, or other records showing the routes traveled. Without it, the limitation applies — not as a penalty, but because the law presumes mixed use. It's one of the few situations where a daily record is worth, in money, more than any optimization.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
existence, classification, duration and depreciation of assets	invoices, receipt, entry into service, register and technical report	inspect, recalculate and separate accounting from tax treatment	the tax threshold used as the sole accounting criterion for capitalisation

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- An asset is a fixed asset if it is used for more than one year AND exceeds the value threshold — the conditions are cumulative.
- Depreciation spreads the cost over the useful life: it is an expense that is not paid, because the money left only once.
- It starts in the month following commissioning, not purchase; until then the asset sits in 231 and is not depreciated.
- The useful life comes from the official catalog, which gives a range, not a single figure. A useful life typed from memory silently distorts the result for years.
- The three methods depreciate the same value; only the pace differs, hence the year in which the expense appears.
- Book and tax depreciation can differ — for cars, the 1,500 lei/month cap almost always separates them.
- At scrapping and at sale, the forgotten half is removing the asset from the records: without it, the asset remains on the balance sheet even though it no longer exists.

Chapter 24

Leasing

Leasing is the arrangement through which a company uses an asset it has not purchased. In accounting terms, this is where it becomes clearest that a monthly payment is not, in itself, an expense — and treating it as one is among the most common mistakes in small-business accounting.

Everything depends on a single thing: what type of leasing it is. And the answer isn't found in the name of the contract, but in what happens at the end of it.

Financial or operating

THE TWO FORMS

The question	Financial	Operating
Who uses the asset?	you	you
Who is the legal owner?	the leasing company	the leasing company
Who bears the risks of use?	you	the owner
Does the asset remain with you at the end?	usually yes	usually no
Does it appear on your balance sheet?	YES	no
Who depreciates it?	you	the owner

Accounting follows economic substance, not legal title: under financial leasing, the asset is economically yours, so it sits on your balance sheet.

The third row is the one that clarifies everything. Under financial leasing, you bear practically all the risks and benefits of use: you pay the installment regardless of whether the asset is still useful to you, you insure it, you maintain it, and at the end you buy it for a nominal value. Legally it isn't yours; economically, it is.

Under operating leasing, by contrast, you're in the position of a tenant. There, the installment really is an expense, recorded in account 612 Expenses with royalties, leases, and rents, and the asset doesn't appear anywhere on your balance sheet.

Entering into financial leasing

When the contract is signed, two things are recorded at once, at the financed value: the asset, in its fixed-asset account, and the liability to the financier, in account 167.

This is an entry that seems surprising at first glance — both an asset and a liability appear on the balance sheet, even though nothing has been paid and you're not the owner. That's exactly the point: the balance sheet shows that you use an asset of that value and that you owe that amount. Both are true.

From this moment on, the asset is depreciated in your books, following the rules from the previous chapter. Depreciation is your monthly expense for using it — and it's the only expense related to the asset itself.

The installment: three components, three destinations

This is the core of the chapter. The monthly installment looks like a single amount, but it contains three completely different things, and each goes to a different place.

AN INSTALLMENT FROM A CONTRACT OF 100,000 LEI OVER 48 MONTHS, WITH 9% ANNUAL INTEREST

Component	Amount	Where it goes	What it is
Principal	1.738,50	167 — liability	repayment: extinguishes the debt, NOT an expense
Interest	750,00	666 — expense	the cost of financing: it is an expense
VAT	522,59	4426 — receivable	deducted in the VAT return
Total payment	**3.011,09**		**what actually leaves the account**

The first installment in a constant-annuity schedule. In subsequent months the principal increases and the interest decreases, but the installment stays the same.

Out of the 3,011.09 lei paid, the month's expense is 750 lei. The rest is debt repayment and recoverable tax. To this is added the depreciation of the asset, which is a separate expense and is not paid out.

> ***Under financial leasing, the month's expense is the interest plus the depreciation — not the installment. The installment is, for the most part, repayment of a debt.***

The mistake that gets made and its consequences

The widespread reflex is to record the entire installment as an expense, most often in 612, as if it were rent. It seems harmless — the money really did go out, the amount is real — and it produces four effects at once, all of them wrong.

First, the year's expense is inflated by the principal portion, so profit is understated. Then, if the asset is nevertheless depreciated, the same value enters expenses twice: once through the installment, once through depreciation. Third, the balance sheet shows neither the asset nor the liability — two omissions that make the company look smaller than it is. And finally, the interest disappears from the category of financial expenses, which distorts any analysis of the cost of financing.

This is, once again, the pattern encountered in Chapter 11: not a calculation error, but a misclassification. The trial balance closes perfectly in all four cases.

The schedule is the source of the figures

The split of the installment between principal and interest is not estimated and not divided into equal parts: it comes from the repayment schedule attached to the contract. With a constant-annuity schedule, the first installments are almost entirely interest, and the last ones almost entirely principal — even though the amount paid is identical.

In the example above, over the life of the contract, 100,000 lei of principal and 19,448 lei of interest are paid. A company that records the installment as "half-half" is wrong every month, in both directions, and only reaches an approximately correct total by chance at the end.

This is why the schedule is worth entering into the accounting software only once, when the contract is signed, with each installment then taken directly from it. It's an operation that takes two minutes and saves forty-eight monthly decisions made from memory.

FOR THE ACCOUNTANT

Recognition follows economic substance, according to the criteria in the accounting regulations: the substantial transfer of the risks and benefits incidental to ownership, the existence of a purchase option at a sufficiently low value, the contract term covering the majority of the asset's economic life, and the present value of the minimum lease payments approximating fair value. Four useful clarifications. First: under financial leasing, the asset's initial recognized value is the one in the contract — the financed value, excluding VAT — and the interest is not capitalized but recognized progressively, as installments fall due. Second: for VAT purposes, leasing is a supply of services, and the tax applies to each installment, both on the principal and on the interest, which represents the consideration for the financing service — not an operation exempt like bank lending; for vehicles falling under the limitation in art. 298, only 50% is deductible. Third: the advance paid at signing reduces the financed value and does not constitute an expense, and the residual value paid at the end is a separate transaction that does not increase the initial value already recorded. Fourth: at year-end closing, the balance of account 167 is presented split between short-term and long-term, according to the due dates of installments in the following twelve months; presenting it entirely as a long-term liability distorts the liquidity indicators — an error with no effect on the result, but immediately visible to anyone reading the balance sheet carefully.

What comes next

This chapter closes Part Five. The company now has records of everything it owns, produces, and pays its people: inventory counted and valued, production with cost, stock reconciled against reality, wages calculated correctly, assets depreciated over their useful life.

Next comes the part where all of this turns back toward the state: value added tax, returns, and their deadlines. This is phase seven, and it's the one where mistakes cost the fastest.

Exercise 24.1 — the real expense of an installment

Financial leasing contract: financed value 100,000 lei, 48 installments, interest 9% per year. First installment: principal 1,738.50, interest 750.00, VAT 522.59, total paid 3,011.09 lei. The asset is depreciated on a straight-line basis over 5 years.

What is the month's expense, and how does it differ from the amount paid?

SOLUTION

The month's expense has two components: interest of 750.00 lei and depreciation of the asset, i.e. 100,000 ÷ 60 = 1,666.67 lei. Total expense: 2,416.67 lei.

The amount actually leaving the account: 3,011.09 lei. The difference, 594.42 lei, consists of the principal of 1,738.50 (debt repayment, not an expense) minus the depreciation of 1,666.67 (an expense that isn't paid) plus the VAT of 522.59 (recoverable receivable).

Verification: 3,011.09 − 1,738.50 − 522.59 = 750.00, which is exactly the interest. The rest of the expense — depreciation — doesn't appear in the payment at all.

The mistake to avoid, discussed in the chapter: recording the entire installment in 612 would give an expense of 3,011.09 instead of 2,416.67, would double the cost if the asset is nevertheless depreciated, and would leave both the asset and the liability off the balance sheet.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
lease classification and separation of its components	contract, payment schedule, minutes, invoices, options and fixed asset register	assess the economic substance, recompute principal and interest, and verify the asset, liability and VAT	classification based only on the security, or the full instalment charged to expense

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The form of leasing is determined by economic substance — who bears the risks of use — not by the title of the contract.
- Under financial leasing, the asset enters your balance sheet together with the liability in account 167, even though legally it isn't yours; you depreciate it.
- The installment has three components with different destinations: the principal extinguishes the debt, the interest is an expense, the VAT is deducted.
- The month's expense is the interest plus depreciation, not the installment. In the chapter's example: 750 lei out of 3,011.09 paid.
- Recording the entire installment in 612 inflates the expense, can double the cost, hides the asset and liability from the balance sheet, and distorts the financing analysis.
- The principal/interest split comes from the contract's schedule, not from an estimate — with constant annuities, the first installments are almost entirely interest.
- Under operating leasing everything is simpler: the installment is rent, in 612, and the asset doesn't appear on your balance sheet.

Chapter 25

Adjustments: the accounting of time

So far, every entry has had a document behind it: an invoice, a bank statement, a payroll, an inventory count report. This part is about the entries that have no such thing.

Not because the document is missing, but because the operation did not take place between the company and someone else. It took place between the company and time. And time does not issue invoices.

Why they are needed

Accounting divides a continuous activity into periods with a beginning and an end. The division is artificial — customers do not stop buying on December 31 — but necessary: without it, you could never say how much the company earned.

The problem is that the cut always falls through the middle of something. Insurance paid in October also covers months of the following year. A client who stops responding does not turn into a loss on a specific date. A euro collected in March is not worth the same in December.

> ***Adjustments (regularizări) are the entries through which the accounting period becomes true. Without them, the trial balance closes perfectly and the result is false.***

The four families

WHAT GETS ADJUSTED AT THE END OF THE PERIOD

Family	The question it answers	Chapter
Foreign currency revaluation	what is what I have to collect or pay in foreign currency worth today?	26
Impairment allowances for receivables	do I still have this money to receive, or am I just still waiting for it?	27
Time-based allocation	of the amount paid, how much is this period's expense?	28
Provisions	what probable obligation has already arisen, even though the invoice hasn't arrived?	here

The four have one thing in common: none has an external document that triggers them.

There is also a fifth category, less discussed: expenses for which the service was provided but the invoice has not arrived. These are not adjustments in the strict sense, but early recognitions, and are recorded in accounts 408 Suppliers — invoices not yet received and 418 Customers — invoices to be issued.

The provision: the probable obligation

A provision is set up when the company has a probable obligation, of estimable size, arising from an event that has already occurred — but whose exact amount or due date is not yet known.

The classic example is litigation. A former employee has sued the company, the lawyer assesses the chances of loss as high, and the probable amount is 30,000 lei. There is no invoice, no ruling, no document that requires payment. There is, however, a real risk, born from a past fact.

The entry debits 6812 Operating expenses regarding provisions and credits 151 Provisions. When the litigation ends, the provision is reversed — 151 is debited against 7812 — regardless of whether the company won or lost; if it lost, the actual payment is recorded separately, at its real value.

It is worth noting that a provision does not set money aside. There is no blocked bank account, no liquid reserve. The provision only recognizes, in the result, an obligation that already exists — just as depreciation recognizes a consumption that has already occurred.

What makes them dangerous

Adjustments have three properties that make them the preferred spot for errors, and it's worth naming them in advance, since they recur in all the chapters that follow.

First, nothing triggers them. No paper arrives to remind you of them. If nobody does them, they simply don't get done — and nothing signals the absence.

Then, their absence unbalances nothing. The trial balance remains perfectly closed without any adjustment. It's a variant of the trap from chapter 2: the balance check says nothing about completeness.

Finally, all of them require judgment. What is the probability of losing the litigation? Will this client still pay? How many months of the insurance belong to next year? These are questions a person answers, not a formula — and the answer must be documented, because otherwise no one can reconstruct it two years later.

FOR THE ACCOUNTANT

Closing adjustments are required by the accrual accounting principle and the principle of independence of the financial year in the accounting regulations: the effects of transactions are recognized in the period in which they occur, regardless of the moment of collection or payment. Three substantive observations. First: provisions are recognized only if three conditions are cumulatively met — a current obligation resulting from a past event, the probability of a resource outflow, and the possibility of a reliable estimate; in the absence of any of these, the obligation is presented as a contingent liability in the explanatory notes, not recorded. Second: a provision is not used for anything other than the risk for which it was set up, and at each closing it is reviewed — increase, decrease, or full reversal — which means that a balance that remains unchanged for two years in a row almost always signals a review that was not done. Third: from a fiscal perspective, most operating provisions are non-deductible, with the exceptions limitatively provided by art. 26 of the Tax Code, and the deduction upon reversal follows the regime established at the time of setup — so analytical records of deductible and non-deductible must be kept from the start, not reconstructed at tax calculation time. Finally, all the reasoning underlying these entries must be documented in the operation's explanatory note; a provision without a note is, in an audit, an expense without justification.

What follows

The four chapters that follow take up, in turn, the adjustments that appear at almost any company. The first is the most mechanical of them and, precisely for that reason, the one where mistakes slip in most easily: bringing foreign currency to the closing exchange rate.

Exercise 25.1 — provision or not

For each situation, say whether a provision is set up on December 31:

(a) A former employee sued the company; the lawyer assesses the loss as probable, around 30,000 lei. (b) The company might face a rent increase next year. (c) A client complained about a defective product; the company accepted replacement, estimated cost 4,000 lei. (d) The administrator fears a tax audit.

SOLUTION

(a) YES. All three conditions are met: a current obligation from a past event (the employment relationship and the litigation), a probable outflow of resources, a reliable estimate.

(b) NO. There is no current obligation from a past fact — it's a future expense of normal activity. Provisions are not set up for future operating expenses.

(c) YES. The obligation arose from the sale already made, the company accepted it, and the amount is estimable.

(d) NO. Fear is not an obligation. However, if an audit had already started and findings with a probable amount had been communicated, the situation would change.

The test that separates all four: look for the PAST EVENT that created the obligation. In (a) and (c) it exists and can be named. In (b) and (d) the event is in the future or imagined.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
recognition of revenue and expenses in the correct economic period	contracts, invoices, receiving reports, subscriptions and adjustment calculations	test unbilled purchases/sales and prepayments/deferred income before and after closing	invoice date used automatically instead of the period in which the service was supplied

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Adjustments are the entries that don't come from an external document, but from the passage of time and professional judgment.
- They are necessary because dividing activity into periods always cuts through the middle of something.
- A provision recognizes a probable obligation arising from a past fact — it does not set money aside.
- Nothing triggers them: if nobody does them, they don't get done, and their absence does not unbalance the trial balance.
- All require judgment, so all require a written note that can be reconstructed years later.

Chapter 26

Foreign Currency Revaluation

A receivable of 10,000 euros is not a fixed amount. It's a fixed amount in euros and a variable amount in lei — and Romanian accounting keeps records in lei.

The difference between the two is called exchange rate difference, and it is income or an expense just as real as any other. The company did nothing, sold nothing, paid nothing — and yet it gained or lost money.

How the Mechanism Works

An invoice issued in March, for 10,000 euros at an exchange rate of 4.97 lei, enters the accounts as a receivable of 49,700 lei. If by December 31 the client still hasn't paid, and the closing rate is 5.08, the same receivable is worth 50,800 lei.

THE SAME RECEIVABLE, TWO MOMENTS

Moment	Rate	Value in lei
at invoice issuance, March	4,97	49.700
at year-end closing, December	5,08	50.800
difference		+1.100

The receivable remained 10,000 euros. Only its value in lei changed.

The 1,100 lei is financial income, recorded by debiting the receivable account and crediting account 765 Income from Foreign Exchange Differences. The receivable on the balance sheet thus reaches its correct value at the closing date, and the gain appears in the result.

The Sign Rule, and Why It Gets Wrong

Here lies the trap of this chapter, and it has cost real companies and real software. The same rising exchange rate produces opposite effects on receivables and on liabilities.

WHO GAINS WHEN THE EURO RISES

Item	The rate rises	The rate falls
Foreign currency receivable (you are owed)	gain — 765	loss — 665
Foreign currency liability (you owe)	loss — 665	gain — 765
Foreign currency cash (you hold in an account)	gain — 765	loss — 665

The rule, in words: an ASSET that increases is a gain; a LIABILITY that increases is a loss.

The logic is simple once stated: if you are owed 10,000 euros and the euro becomes more expensive, you will receive more lei — you have gained. If you owe 10,000 euros and the euro becomes more expensive, you will pay more lei — you have lost.

The mistake doesn't come from misunderstanding the rule, but from applying it mechanically, with a single formula, to all accounts at once. A program that calculates the difference as "new value minus old value" and records it as income whenever it's positive will record losses on liabilities as gains — with the sign reversed, every year, silently.

> ***The sign of the difference is not read from the figure, but from the nature of the item. The same positive difference is a gain on a receivable and a loss on a liability.***

What Gets Revalued and What Doesn't

The second source of errors is scope. Not everything purchased in foreign currency gets revalued — on the contrary, most of it doesn't.

THE SCOPE OF REVALUATION

IS revalued	Is NOT revalued
foreign currency cash (5124, 5314)	inventory purchased through imports
foreign currency receivables (4111, 461)	fixed assets purchased through imports
foreign currency liabilities (401, 404, 167)	advances received and paid (419, 409)
loans and long-term receivables	income and expenses already realized

The criterion is called monetary nature: the right to receive or the obligation to give a fixed amount of money is what gets revalued.

The distinction deserves to be understood, because it is more than a convention. Goods purchased for 1,000 euros remain the same goods regardless of the exchange rate; their cost is what was paid at that time, and the gain will show up at sale. A receivable of 1,000 euros, on the contrary, is exactly the right to receive 1,000 euros — so its value in lei changes along with the exchange rate.

Advances are the surprising case. An advance paid to a foreign supplier looks like a receivable, but it's not the right to receive money, it's the right to receive goods — so it stays at the exchange rate from the day of payment. A program that revalues them produces differences that don't exist.

FOR THE ACCOUNTANT

The rule is at point 319 of the accounting regulations approved by OMFP 1802/2014: cash, receivables, and liabilities in foreign currency are valued at the exchange rate communicated by the BNR for the last banking day of the period, with differences recognized as financial income or expenses. Point 320 establishes the treatment of non-monetary items, which remain at the exchange rate on the date of the transaction. Four useful clarifications. First: revaluation is done at every period-end closing for which financial statements are prepared, not just on December 31 — for companies reporting quarterly, omitting interim closings shifts the result between quarters. Second: differences recognized at revaluation are unrealized, but they are nevertheless taxable, respectively deductible, in calculating corporate income tax, with the exceptions expressly provided — so they are not eliminated in determining the taxable result, unlike the treatment in other jurisdictions. Third: upon actual settlement of the receivable or liability, the difference is calculated relative to the last revalued value, not to the initial exchange rate; recalculating from the invoice rate would double the difference already recognized. Fourth: for companies paying microenterprise income tax, income from exchange rate differences has its own regime — it is included in the tax base calculation only through the net favorable difference, cumulated, at the end of the quarter, not line by line.

Practice

Revaluation is an operation that shouldn't consume thinking time. Foreign currency balances are known, the closing rate is public, the sign rule is fixed. A well-made program proposes the list of accounts to be revalued, with the foreign currency balance and the rate, and the accountant confirms.

What cannot be automated is checking the scope: if an account entered the list because it was touched at some point by a foreign currency transaction, but its balance has long been in lei, revaluing it produces an invented difference. A minute spent reading the list before confirming is worth more than any check done afterward.

Exercise 26.1 — The Sign, on Four Balances

On December 31 the company has: a receivable of 10,000 EUR (recorded at 4.97), a liability of 6,000 EUR (at 5.02), cash of 2,000 EUR (at 4.99), and an advance paid to a foreign supplier of 3,000 EUR (at 4.95). Closing rate: 5.08.

Calculate the differences and state for each whether it is income or an expense.

SOLUTION

The receivable: 10,000 × (5.08 − 4.97) = +1,100 lei. Asset that increases = GAIN, financial income.

The liability: 6,000 × (5.08 − 5.02) = 360 lei. Liability that increases = LOSS, financial expense.

The cash: 2,000 × (5.08 − 4.99) = +180 lei. Monetary asset that increases = gain.

The advance: NOTHING. Advances paid are NON-MONETARY items — they do not represent the right to receive money, but to receive goods. They remain at the exchange rate from the day of payment.

Net result: 1,100 + 180 − 360 = +920 lei financial income. Anyone who had revalued the advance too would have invented another 390 lei of income that doesn't exist, and anyone who had applied the same formula to all accounts would have recorded the 360 lei as income — getting the result wrong by 720 lei, that is, double.

What Happens at Settlement

The revaluation at closing is not the final act. When the receivable is collected or the liability is paid, a second difference appears — and this is where the mistake is made that doubles everything recorded before.

The difference at settlement is calculated relative to the LAST revalued value, not to the rate on the day of the invoice. That rate has already been superseded once, at closing, and the difference from then is already in the result.

A RECEIVABLE OF 10,000 EUR, FOLLOWED TO THE END

Moment	Rate	Value in lei	Difference
The invoice, March 15	4,97	49.700,00	—
Revaluation, December 31	5,08	50.800,00	+1,100.00 income
Collection, February 20	5,12	51.200,00	+400.00 income
		Total recognized	**+1.500,00**

The total difference, 51,200 − 49,700 = 1,500 lei, is split across two fiscal years: 1,100 in the year of the invoice, 400 in the year of collection.

The typical mistake is calculating the difference at collection relative to the invoice rate: 51,200 − 49,700 would give 1,500 lei recognized a second time, in the second year, on top of the 1,100 already recorded in the first. The result of the second year would be inflated by 1,100 lei, while the first would remain correct — so nothing would offset and nothing would signal an error.

> ***After a revaluation, the initial exchange rate is no longer a reference point. The book value of the receivable is the revalued one, and any subsequent difference is measured from there.***

How Often Revaluation Occurs

The rule states "at every period-end closing for which financial statements are prepared," and the wording is broader than it seems: not just on December 31.

A company reporting quarterly revalues quarterly. One that prepares interim statements for a bank or for a shareholder revalues then too. Omitting interim closings doesn't change the annual total, but it shifts the result between periods — and if those periods were reported to someone, the shift has consequences.

And for companies paying microenterprise income tax, there is a specific rule, easy to miss: favorable exchange rate differences enter the taxable base not line by line, but through the NET favorable difference, cumulated, at the end of the quarter. Calculating per transaction overestimates the base.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
complete remeasurement of monetary items denominated in foreign currencies	foreign-currency documents, official exchange rates, statements and ledgers by currency	recompute the amount at the transaction, settlement and reporting dates	subledgers kept only in lei, with no foreign-currency amount, or forced exchange differences

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- A foreign currency receivable has a fixed value in foreign currency and a variable one in lei; the difference is real income or expense.
- The sign is read from the nature of the item, not from the figure: an asset that increases is a gain, a liability that increases is a loss.
- Applying a single formula to all accounts reverses the sign on liabilities, every year, without unbalancing anything.
- Only monetary items are revalued: cash, receivables, liabilities. Inventory, fixed assets, and advances remain at the initial exchange rate.
- An advance is not the right to receive money, but to receive goods — that is why it is not revalued.
- At settlement, the difference is calculated relative to the last revaluation, not to the invoice rate.

Chapter 27

Adjustments for Doubtful Receivables

An invoice issued and uncollected sits on the balance sheet as an asset, at its full value, no matter how much time has passed since its due date. So the balance sheet states that the company is owed that amount — and at some point, that statement stops being true.

This chapter is about that moment and about how it is recognized in accounting, without erasing anything. Because a doubtful receivable does not disappear: it remains owed. Only the likelihood of collecting it has diminished.

Three States, Not Two

The usual reflex divides receivables into collected and uncollected. Accounting needs an intermediate state, because between "the client is late" and "the money is lost," months or years usually pass.

THE PATH OF A RECEIVABLE

State	Account	What It Says
normal	4111 Customers	collection is expected at maturity
doubtful	4118 Doubtful or disputed customers	collection has become uncertain
lost	654 Losses from receivables	collection is no longer possible

The transition from one state to another is made based on a documented decision, not automatically after a certain number of days.

The first transition is a simple reclassification: 4118 is debited, 4111 is credited, for the full amount of the receivable, VAT included. No income statement account is touched — the receivable is the same, only moved into a drawer that says it's problematic.

The Adjustment: The Probable Loss, Not the Certain One

Reclassification changes nothing in the result, but the balance sheet still shows a full receivable. The step that corrects this is called an impairment adjustment.

The adjustment does not erase the receivable. It places alongside it, on the balance sheet, a negative value stating how much of it will probably not be collected. The receivable remains 10,000 lei; the adjustment of 10,000 lei says that, realistically, its value is zero.

Account 6814 Expenses regarding adjustments for the impairment of current assets is debited, and 491 Adjustments for the impairment of receivables is credited. The expense appears in the result of the period in which the loss became probable — not in the period in which it will be definitively established.

> ***The adjustment recognizes that the value of a receivable has decreased. It does not recognize that it has disappeared — that's a different step, and often it never comes.***

What Happens If the Client Pays After All

It happens more often than one might think, and accounting must be able to reverse it. This is where you see why the adjustment is a better construction than writing off the receivable.

The adjustment is reversed: 491 is debited, and 7814 Income from adjustments is credited. The expense recorded last year is offset by income this year, and the receivable is collected normally. Nothing was destroyed and nothing needs to be reconstituted.

If, on the contrary, the receivable proves definitively lost, it is written off through 654 Losses from receivables and various debtors, and the adjustment previously set up is reversed at the same time. And if, years later, a debtor considered lost pays, the amount is recorded as income in 754 Income from reactivated receivables.

The Numbers, in a Case

A RECEIVABLE OF 12,100 LEI THAT DETERIORATES

Moment	Journal Entry	Amount
The client exceeds 270 days past the due date	4118 = 4111	12.100
An adjustment is set up for the entire receivable	6814 = 491	12.100
Variant A: the client pays	491 = 7814	12.100
Variant B: the receivable becomes irrecoverable	654 = 4118 and 491 = 7814	12.100

In Variant B, the expense in 654 and the income in 7814 offset each other: the loss had already been recognized when the adjustment was set up.

The last line of the entry is the one that clarifies the purpose of the entire mechanism. The loss is not recognized twice: once through the adjustment, when it became probable, and again through the write-off, when it became certain. The second time, only the label changes.

The Complete Monograph

Placed one below the other, the four operations cover the entire path. They deserve to be read at the level of lines, not just accounts — the third one has two, and it's precisely the second one that gets forgotten.

THE FOUR ENTRIES, IN THE ORDER THEY APPEAR

Moment	Debit	Credit	What It Does
The receivable becomes doubtful	4118	4111	reclassification; does not affect the result
The loss becomes probable	6814	491	recognizes the expense
The client pays / the risk disappears	491	7814	reverses the adjustment, as income
The loss becomes certain	654	4118	writes off the receivable
…and, in the same entry	491	7814	reverses the adjustment set up for it
A lost debtor pays	4111	754	reactivates the receivable

The last two lines form a single journal entry. Without the second, the loss would enter the result twice: once when the adjustment was set up, again when the receivable was written off.

The net effect of the two lines at write-off is zero on the result — and this is the check that confirms the entry is complete. If the write-off changes the profit, either the adjustment had not been set up, or the second line is missing.

> ***The expense is recognized only once, when the adjustment is set up. The write-off does not add a loss — it only changes its label from "probable" to "certain."***

The VAT Remains Collected

This is the part that comes as an unpleasant surprise. The company issued the invoice, collected the VAT, and paid it to the state. The client never paid. The VAT, in principle, remains owed.

The law allows a reduction of the tax base for uncollected receivables, but only in expressly enumerated situations — essentially, in insolvency, bankruptcy, or debtor reorganization procedures — and only within a limited timeframe. It is not a correction made simply because a client fails to pay.

The practical consequence is worth stating bluntly to a business owner: for an uncollected invoice of 12,100 lei, the company loses not 10,000, but 12,100, because the 2,100 lei of VAT has already been paid to the state from the company's own money.

FOR THE ACCOUNTANT

From an accounting standpoint, adjustments for the impairment of receivables are set up in accordance with the prudence principle and are reviewed at each closing. Fiscally, the regime is governed by Article 26 paragraph (1) letter c) of the Tax Code: adjustments are deductible up to 30% of the receivable's value, if three conditions are cumulatively met — the receivable must be uncollected for a period exceeding 270 days past the due date, must not be guaranteed by another person, and must be owed by a person not affiliated with the taxpayer; other letters of the same article provide for full deductibility in specific situations, including those related to bankruptcy proceedings. From this, two consequences follow. First: the 70% difference is a non-deductible expense at the time of setup, but the subsequent reversal of the adjustment is non-taxable income in the same proportion — and the analytical record of the deductible and non-deductible portions must be kept from the time of setup, otherwise the correlation can no longer be reconstructed. Second: losses from receivables recorded in 654 are, as a rule, non-deductible under Article 25 paragraph (4) letter h), with the limitatively provided exceptions — bankruptcy proceedings closed by a final court decision, the death or dissolution of the debtor, a receivable covered by insurance, among others — so writing off a receivable without one of these being met produces no tax effect, no matter how economically certain the loss may be. For VAT, the reduction of the tax base is made under the conditions of Article 287, and the exercise of this right is subject to a deadline; checking it before it is lost is a practical obligation, not a formality.

Judgment, Not the Calendar

The 270 days in the fiscal law are a deductibility threshold, not a definition of a doubtful receivable. In accounting terms, a receivable becomes doubtful when there are reasons to believe it will not be collected — and a client who enters insolvency thirty days past the due date is doubtful immediately, not nine months later.

That is why the decision remains that of the accountant and the administrator together, and it is put in writing. In an audit, the question is not whether the adjustment was correct, but what it was based on — and an answer given from memory, two years later, is no substitute for documentation.

Exercise 27.1 — How Much Is Actually Deductible

A receivable of 12,100 lei (10,000 base + 2,100 VAT) has been uncollected for 300 days. The client is not affiliated, the receivable is not guaranteed. The company sets up an adjustment for the entire value.

(a) How much is fiscally deductible? (b) What happens if the client pays the following year?

SOLUTION

(a) The conditions of Article 26 are met — over 270 days, unguaranteed, unaffiliated debtor — but the deduction is limited to 30% of the receivable's value: 30% × 12,100 = 3,630 lei deductible. The remaining 8,470 lei is a non-deductible expense in the year of setup.

(b) The adjustment is fully reversed, as income of 12,100 lei. But only what was deductible at setup is taxable: 3,630 lei. The remaining 8,470 is non-taxable income.

Hence the practical obligation: the analytical record of the deductible and non-deductible portions must be kept FROM THE TIME OF SETUP. Reconstructed two years later, the correlation can no longer be made, and upon reversal the company either pays tax on non-taxable income or fails to declare it and cannot justify it.

And the figure that stings, told to the business owner: of the 12,100 lei uncollected, 2,100 was VAT already paid to the state. The company loses not just the margin, but the margin plus the tax.

Why the Deductible Record Must Be Kept from the Start

The adjustment has an asymmetric tax regime, and the asymmetry is paid for two years later, if nothing was recorded at setup.

At setup, only 30% is deductible. At reversal — when the client pays or the receivable is written off — the income is taxable in the SAME proportion: 30% taxable, 70% non-taxable. The two match only if it is known how much was deductible at setup.

AN ADJUSTMENT OF 12,100 LEI, TRACKED OVER TWO YEARS

Moment	Accounting	Fiscal
Year 1 — setup	expense 12,100	deductible 3,630, non-deductible 8,470
Year 2 — the client pays	income 12,100	taxable 3,630, non-taxable 8,470
Cumulative effect over two years	zero	zero

The last line is the check: if the cumulative fiscal effect is not zero, the proportion was lost somewhere — and it can no longer be reconstructed from data two years later.

Without the analytical record for the two portions, one of two things happens at reversal: either all the income is declared as taxable, and the company pays 16% on 8,470 lei that was not owed, or nothing is declared, and the difference is discovered during an audit. Both cost more than one extra column in a table.

The Adjustment Is NOT a Definitive Loss

This is worth stating explicitly to a business owner, because the term "impairment adjustment" sounds like giving up: the receivable remains owed, and the right to pursue it does not expire. The adjustment is a statement about the PROBABILITY of collection, not about the right to collect.

The practical consequence: after the adjustment is set up, pursuit of the receivable continues — demand letters, court action, enforcement. And if these efforts succeed, the adjustment is reversed and the money comes in normally. A company that treats the adjustment as a loss stops pursuing exactly the receivables it recognized as at risk.

> ***The adjustment changes the figure on the balance sheet, not the relationship with the client. The receivable remains, pursuit continues, and if the money comes in, everything recorded is reversed.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
assessment of receivable recoverability and the required impairment adjustments	ageing, litigation, correspondence, subsequent receipts and estimates	test indicators by customer and separately recompute the accounting and tax adjustments	standard percentage applied without analysis, or old receivables left unadjusted

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Between a normal receivable and a definitive loss there is an intermediate state: the doubtful receivable, in account 4118.
- The adjustment does not erase the receivable, but places alongside it the probably unrecoverable value — so it can be fully reversed if the client pays.
- The loss is recognized only once, when the adjustment is set up; writing off only changes the label.
- The VAT collected remains owed: for an uncollected invoice of 12,100 lei, the company loses 12,100, not 10,000.
- Fiscally, the deduction is limited to 30% and requires 270 days past the due date, an unguaranteed receivable, and an unaffiliated debtor.
- In accounting terms, uncertainty is established through documented judgment, not by counting days.

Chapter 28

Time allocation

An insurance policy of 12,000 lei paid on October 1st, for twelve months, is not October's expense. Nor is it this year's expense. Of it, three months — 3,000 lei — belong to this year, and the rest belongs to next year.

The mechanism through which this split is made is called time allocation, and it is the most direct application of the principle with which this book began: the expense belongs to the period in which the service is consumed, not the one in which the invoice is paid.

The two accounts

WHERE WHAT IS NOT YET THE PERIOD'S BELONGS

Account	Nature	Example
471 Prepaid expenses	asset — a right to benefit	insurance, subscription, rent paid in advance
472 Deferred revenue	liability — an obligation to perform	subscription collected, rent received in advance

Both are transit accounts: the amounts sit there temporarily and gradually move into expenses, respectively into revenue.

It's worth noting that 471 is an asset, even though it looks like an expense. The company has paid, but in exchange it has a right: insurance coverage for the coming months. That right has value, so it sits on the balance sheet as an asset until it is consumed.

How it is recorded

There are two movements, at different moments. When the invoice is received, the entire amount goes into 471 — not into the expense account. Then, each month, the portion belonging to that month is moved from 471 into the appropriate expense account.

THE 12,000 LEI INSURANCE, PAID ON OCTOBER 1ST

Moment	Entry	Amount
October 1st — the invoice	471 = 401	12.000
October 31st	613 = 471	1.000
November 31st	613 = 471	1.000
December 31st	613 = 471	1.000
remaining in 471 at December 31st		9.000

The 9,000 lei remain on the balance sheet at December 31st as an asset and are consumed in the first nine months of the following year.

Without this split, the current year's result would be lower by 9,000 lei, and next year's higher by the same amount. Taken together across two fiscal years, nothing changes — but neither one, taken separately, would be accurate.

The trap: the monthly transfer doesn't happen by itself

This is the most frequent flaw in this area, and it's important to state it explicitly, because it's counterintuitive: the entry into 471 is easy to remember — it comes with the invoice. The monthly transfer comes with nothing.

No document arrives in November saying "move 1,000 lei from 471 to 613". If no one does it, the amount stays in 471, and the account swells year after year with insurance, subscriptions, and rent that were consumed long ago.

> ***The balance of account 471 is a list of promises. If it isn't shortened every month, it becomes a list of forgotten expenses.***

The check is simple and worth doing annually: every amount remaining in 471 must correspond to an identifiable future period. If you can't say which month it covers, it's no longer a prepaid expense — it's an expense you forgot to recognize.

Don't confuse it with advances

This is a frequent confusion, since both concern money that moves before the performance takes place. The distinction lies in what exactly has already been established.

TWO DIFFERENT THINGS

Situation	Account	Why
We paid an advance for goods not yet ordered	409	nothing has been performed yet; it's a receivable for goods
We paid an insurance policy for 12 months	471	the service is already running; it is consumed month by month
We received an advance for future work	419	nothing has been performed yet; it's a liability for goods
We received an annual subscription	472	the performance is ongoing; the revenue is recognized gradually

The rule: the advance waits for a delivery; the prepaid expense or deferred revenue is consumed as time passes.

FOR THE ACCOUNTANT

Time allocation applies the accrual principle from the accounting regulations: revenues and expenses are recognized in the period in which they are generated, regardless of when they are collected or paid. Three practical observations. First: the materiality threshold matters — not every 200 lei subscription justifies spreading it over twelve months, and the company's policy on the threshold above which allocation is performed must be written in the accounting policies manual, not decided case by case; without it, the treatment becomes inconsistent from one year to another, which violates the principle of consistency of methods. Second: for tax purposes, the prepaid expense is not deductible at the moment of payment, but as it is recognized in the result — so a balance in 471 wrongly treated as fully deductible produces a difference that is discovered only at audit, with accessories accrued over all the years elapsed. Third: account 471 is not the place for expenses whose period is unknown; amounts paid for services with no determinable timeframe, or those that do not meet the conditions for recognition as an asset, are posted directly to expense. The closing check is mechanical and mandatory: for each balance in 471 and 472 there must be a schedule with the period covered and the remaining amount, and its total must equal the accounting balance.

The symmetrical case

Account 472 works identically, in mirror image. A company that collects an annual subscription of 12,000 lei in January hasn't earned 12,000 lei in January: it has received money and taken on the obligation to perform for a year.

The amount goes into 472, and each month 1,000 lei is transferred to revenue. Forgetting the transfer has the opposite effect here — understated revenue and a fictitious liability on the balance sheet — but with the same cause: no document arrives requesting it.

Exercise 28.1 — how much remains in 471

On September 1st the company pays an insurance policy of 18,000 lei for 12 months. At December 31st the financial statements are prepared.

(a) What is the year's expense? (b) How much remains in 471? (c) What happens if no one makes the monthly transfer?

SOLUTION

(a) The insurance covers 12 months, so 1,500 lei per month. The current year gets four months, September–December: 6,000 lei.

(b) 12,000 lei remain in account 471, covering January–August of the following year. It is an ASSET on the balance sheet at December 31st: the right to be insured for eight months.

(c) If the monthly transfer isn't made, all 18,000 lei remain in 471. The year's result is overstated by 6,000 lei, the balance sheet asset by the same amount, and for tax purposes the expense is not deductible in the year it wasn't recognized.

The annual check, which takes two minutes: for every balance remaining in 471 there must be an identifiable future period. If you can't say which months the amount covers, it's no longer a prepaid expense — it's an expense you forgot to recognize.

How finely it's worth splitting

The rule says every expense is allocated across the periods it covers. Applied literally, it would require splitting a 200 lei subscription over twelve months — that is, eleven entries of 16.67 lei each, for an amount that changes nothing.

This is what the materiality threshold exists for: an amount below which the effort exceeds the information gained. The threshold is not set numerically by law — it is established by the company and written into the accounting policies manual.

> ***The threshold must be WRITTEN, not kept in mind. A threshold decided case by case isn't a threshold: it's an inconsistency, and it violates the principle of consistency of methods.***

A practical criterion, often used: allocate what exceeds the threshold AND crosses from one fiscal year into another. An expense that is fully consumed within the same year affects the same result however it's allocated — so splitting it by month is useful only if the company reads monthly results.

Three mistakes made with account 471

WHAT IS NOT A PREPAID EXPENSE

Situation	Why not	Where it goes
Advance paid for goods	nothing has been performed; it's a right to a good	409 Suppliers-debtors
Service paid, unknown period	cannot be allocated to anything	directly to expense
Prepaid repair, already performed	the service has been fully consumed	directly to expense
Stock of supplies bought in advance	it's a GOOD, not a service	inventory account (302/303)

The common test: only what is consumed as TIME PASSES belongs in 471. What is consumed upon use is inventory; what awaits a delivery is an advance.

The fourth row is the most frequent. A stack of paper bought for a year is not a prepaid expense: it's inventory, and it is consumed as it is used, not as time passes. The difference seems subtle and becomes visible at stocktaking, where inventory is counted and prepaid expenses are not.

The closing check, in two minutes

For the balances in 471 and 472, a schedule is kept: for each amount, what period it covers and how much remains. The schedule's total must exactly match the accounting balance.

The check has a useful side effect: it forces you to name the period. An amount for which you cannot write "covers months X–Y" has no business being in 471, and the discovery happens here, not two years later, when no one remembers where it came from.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
recognition in the correct economic period	contracts, invoices, receivables, subscriptions and allocation calculations	test prepayments, deferred income and unbilled purchases/sales	invoice date used automatically instead of the period receiving the benefit

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

WHAT TO REMEMBER FROM THIS CHAPTER

- A payment covering several periods is split between them: 471 for expenses, 472 for revenue.
- 471 is an ASSET — the right to benefit from a service already paid for — not an accounting-deferred expense.
- The entire amount goes into 471 with the invoice; each month's portion is then moved into the expense account.
- The monthly transfer is not triggered by any document: if no one performs it, the account swells with forgotten expenses.
- The annual check: each balance in 471 must correspond to an identifiable future period.
- The advance (409/419) waits for a delivery; the prepaid expense and deferred revenue (471/472) are consumed with the passing of time.

Chapter 29

You reverse it, you don't delete it

All the chapters so far have assumed that the entry is correct. This chapter is about what happens when it isn't — and it is, probably, the most important principle of discipline in the whole book.

The rule fits in one sentence: an accounting entry is never deleted and never modified. It is corrected through another entry, which remains linked to the incorrect one.

Why it isn't deleted

The reason isn't bureaucratic. Accounting in which entries can be modified after they've been made no longer proves anything — because any figure in it could have been written retroactively, and no one could tell which.

The evidentiary value of accounting lies precisely in the fact that the past is closed. A ledger that can be revised isn't a ledger at all: it's a permanent draft. That's why the law requires that errors be corrected through new entries, and the trace of the error must remain.

> ***The trace of the mistake is part of the evidence. Accounting with no visible errors isn't clean accounting — it's accounting in which nothing can be verified anymore.***

The practical consequence is that a serious accounting program refuses to delete an entry that has already been posted. Not as a precaution, but as a property: if deletion were possible, all the other guarantees would be decorative.

Draft and posted entry

The rule, however, doesn't apply from the very first moment. Between the moment an entry is composed and the moment it actually enters the accounting records, there is an intermediate state in which it can be freely corrected or deleted.

WHAT CAN BE DONE WITH AN ENTRY

State	Can it be modified?	Can it be deleted?	How is it corrected
draft	yes	yes	directly — it hasn't entered the records
validated / approved	yes	yes	directly — it doesn't yet produce effects
posted	NO	NO	through a reversal (storno)

Posting is the boundary. Before it, the entry is an intention; after it, it's a statement about the past.

This boundary is useful for another reason too: it separates the place where work is done from the place where responsibility is taken. An operator can freely correct a draft; posting is the act by which someone takes ownership of the figure.

What a reversal (storno) looks like

The reversal entry uses the same accounts and the same amounts as the incorrect entry, with the sign changed. The effect is that the two cancel each other out, and the correct entry is made separately.

It is not dated in the period of the incorrect entry, but in an open period — usually the current one. The reason is the same as at the beginning of the chapter: a closed month has already been reported, and rewriting it would contradict declarations already filed.

In red or in black: two conventions, only one correct

There are two ways to accounting-wise cancel an entry, and the difference between them seems purely aesthetic. It isn't.

A SALES INVOICE OF 10,000 LEI, CANCELED

Convention	The reversal entry	Balance of 707	Turnover on 707
in red	4111 = 707 with −10,000	0 — correct	credit 0 — correct
in black	707 = 4111 with +10,000	0 — correct	credit 10,000 and debit 10,000

Both leave the balance correct. Only the first also leaves the turnover figures correct.

Reversing "in black" — swapping debit for credit — gives the right balance, but inflates the turnover: the revenue account reports 10,000 lei of activity on the credit side and another 10,000 on the debit side, that is, activity that never existed.

Turnover and profit come out correct, because they're read as a difference. But the turnover columns in the trial balance and the total of the journal register lie — and it's those that the accountant reads, not the calculator. In a company with many corrections, the trial balance ends up showing double the actual volume of activity.

That's why the correct convention is the "in red" reversal: the same accounts, in the same direction, with the amount negated. The name comes from the era of handwritten ledgers, when amounts to be canceled were written in red ink and subtracted, not added.

What a reversal doesn't solve

The reversal corrects the accounting records. It doesn't correct documents that have already left the company, and this is where the most costly confusion arises.

If the incorrect invoice was sent to the customer and reported in the VAT return, canceling it internally changes nothing for the customer or for ANAF. A correction invoice — a credit note — is needed, issued, transmitted, and reported in its own right.

The rule, in short: the reversal fixes what was written; the correction document fixes what was communicated. An error that has left the company needs both.

Corrections that aren't made through a generic reversal

There is a category of entries where the accounting reversal alone does more harm than good: those that also moved something besides accounts.

A sale of goods also decreased the quantity in the warehouse record. A reversal that touches only the accounts leaves the accounting correct and the inventory records wrong — and the two will diverge silently, until the inventory count puts them face to face, months later.

In such cases, the correction must be made at the level of the document that produced both effects, not at the level of the resulting accounting entry. It's the same idea as in Chapter 11: don't improvise with the general tool when there's a suitable one.

> **FOR THE ACCOUNTANT**
>
> The requirement comes from the Accounting Law and from the rules on financial-accounting documents: errors are corrected through new entries, and erasures, scraping, or similar procedures are not allowed in supporting or accounting documents; correction is done by crossing out the incorrect text with a single line, so that it remains legible, followed by confirmation through signature. Four practical clarifications. First: for documents attesting cash or valuables movements — receipts, fiscal receipts, cheque leaves — correction isn't allowed at all; the document is voided and another is issued. Second: correction of errors relating to the current financial year is made through the revenue and expense accounts of that year, whereas significant errors relating to prior financial years are corrected through retained earnings, in account 1174 — the distinction is essential, since running a prior-year error through the income statement distorts the current result and, through it, the tax base. Third: correcting an error that affected a filed declaration triggers the obligation to file an amending declaration, with its own regime of deadlines and, as applicable, accessory charges; an accounting correction without the fiscal one leaves the two records diverging. Fourth: the reversal entry is dated in the period in which it is made, not the corrected one, and the link to the original entry is kept explicit — without it, the two entries remain two independent operations, and reconstructing the reasoning becomes impossible.

What's next

This chapter concludes Part Six, and with it, all the entries. The company's accounting now contains everything that happened, including what happened wrongly and how it was corrected.

Next comes the part where the same operations are viewed from a different angle: the registers. The same figures, once in chronological order and once grouped by account — and the tool that says whether everything balances.

Exercise 29.1 — the correction, step by step

On March 12, a sales invoice of 10,000 lei base + 2,100 VAT was posted. On April 20, after the March VAT return was filed, it is discovered that the invoice had been issued twice, by mistake.

What is done, in order?

SOLUTION

Nothing is deleted. March is a closed and reported month; deletion would contradict a declaration already filed.

A correction invoice (credit note) is issued to the customer, referencing the canceled invoice, and transmitted. A document that left the company needs a document to cancel it.

The reversal is recorded IN APRIL, in red: the same accounts, negated amounts — 4111 = 707 with −10,000 and 4111 = 4427 with −2,100. Not the debit/credit swap, which would leave the balances correct but would inflate the turnover.

It is reflected in the April VAT return, as a reduction of the base and the output tax. The March return is not amended: there, the operation really was recorded, and the correction has its own date.

What remains visible, and it's good that it does: in March you see the duplicate invoice, in April you see the cancellation. Anyone reading both months sees both the mistake and the correction — which is more than they would have seen if the figure had simply been changed.

Six situations, six treatments

"You reverse it, you don't delete it" is the rule. Its application, however, differs depending on how far the error has traveled — and the distance is measured by three thresholds: posting, month closing, and declaration filing.

WHAT IS DONE, DEPENDING ON HOW FAR THE ERROR HAS TRAVELED

Situation	What is done	What else is needed
draft, not posted	corrected directly	nothing
posted, month open	reversal + the correct entry	nothing
posted, month closed	reversal in an open month	—
…and the declaration was filed	same, plus assessing an amending declaration	amending declaration, if it changes the declared amounts
…and the document went to the customer	same, plus a correction invoice	the credit note, transmitted and reported
significant error, from the previous year	correction through retained earnings (1174)	amending declaration for the corrected year

The middle column shows that the accounting treatment is the same from row three onward. What's added is an obligation toward someone else: the state, the customer, or both.

The observation that orders the table: the error doesn't become harder to correct in accounting terms, it becomes harder to correct COMPLETELY. The reversal always resolves one's own records; the rest of the third column are things that have left the company and can't be withdrawn through a single entry.

What isn't reversed

There are operations where the accounting reversal alone does more harm than good — and they all have in common the fact that they moved something besides accounts.

CASES WITH DEDICATED TREATMENT

Operation	Why not the usual reversal	What is done
sale with inventory discharge	would leave the warehouse record uncorrected	the inventory document is reversed
stock receipt	same, in the other direction	same
a reversal entry	a reversal would be reversed, endlessly	the correct operation is recorded, separately
a month's depreciation	it is recalculated from the asset register	the asset is corrected, then it is regenerated

The third row is a guardrail, not a subtlety: without it, a chain of mutual reversals makes the history illegible.

> ***The reversal corrects ACCOUNTS. When the operation also moved a quantity, a register, or a calculation, the correction must be made where the movement occurred — otherwise the two records diverge silently.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
retention of a controlled audit trail for every correction	original document, reason, approval, reversal and corrected document	follow the two-way link and the effect on tax returns	deletion, overwriting or reversal with no reference to the original

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

TO REMEMBER FROM THIS CHAPTER

- A posted entry is never deleted and never modified — it is corrected through a reversal entry linked to it.
- The trace of the error is part of the evidence; accounting that can be revised no longer proves anything.
- The boundary is posting: before it, the entry is an intention; after it, a statement about the past.
- The reversal is dated in an OPEN period, not in the corrected month, which has already been reported.
- Reversing "in red" (same accounts, negated amount) is correct; reversing "in black" leaves the balance right but doubles the turnover.
- The reversal fixes what was written; an invoice that left the company also needs a credit note.
- Significant errors from previous financial years are corrected through retained earnings, not through the income statement.

Chapter 30

Chronological: the general journal

All the entries made so far exist somewhere. This part is about exactly where — and about why the same transactions are written twice, in two different registers, without this being unnecessary duplication.

The first of these is the general journal: everything that happened, in the order it happened. It's the register the law requires first, and it's the simplest of all.

What it looks like

One row for each line of each accounting entry, in chronological order, with the sequence number, date, document, explanation, debit account, credit account, and amount.

JUNE'S GENERAL JOURNAL, THE FIRST TRANSACTIONS

No.	Date	Document	Debit	Credit	Amount
1	2026-06-10	AFD 1001	371	401	10.000
			4426	401	2.100
2	2026-06-15	EXP 2001	4111	707	14.000
			4111	4427	2.940
			607	371	8.000
3	2026-06-15	CH 17	5311	4111	16.940
4	2026-06-20	OP 44	401	5121	12.100

The sequence number is given per accounting ENTRY, not per row: transaction 2 has three lines, but a single number. The date and document are written once, on the first row.

The most useful observation about this table is what it doesn't contain: no balance, no total per account, no grouping. The general journal doesn't answer the question "how much do I have in the bank." It answers the question "what happened on June 15."

What the order is for

Chronological order isn't a presentation convention — it's the whole point of the register. A continuously numbered journal, with no gaps, is proof that nothing was inserted afterward between two already-recorded transactions.

From this follow two rules that seem pedantic but aren't: numbering is continuous throughout the financial year, and a number once assigned is never reused. A gap in the numbering is a question someone will have to answer.

> ***The general journal isn't a list of transactions. It's proof that the list is complete and that it hasn't been tampered with.***

This is also why corrections are made through reversal (storno), as seen in chapter 29: a reversal entry receives the next free number and appears under its own date, not the date of the error. The journal thus preserves both the mistake and the correction, in the order they occurred.

The total that ties everything together

The journal has a single summary figure: the total of the amounts recorded in the period. In the example above, for June, it is 76,659.17 lei.

This figure seems pointless — it represents neither revenue, nor expenses, nor cash moved. Its value lies elsewhere: it must equal the total turnover in the trial balance, both on the debit and on the credit side. It's the first of the correlations that tie the registers together, and chapter 32 brings them all together.

Auxiliary journals

For a company with a few hundred transactions a month, a single journal is enough. For one with tens of thousands, it becomes unreadable — and that's when auxiliary journals are used: one for purchases, one for sales, one for bank, one for cash, one for miscellaneous transactions.

Each gathers transactions of the same kind, and their totals are carried into a centralizing journal, which remains the general journal proper. The structure changes nothing about the substance: the same transactions, the same order, just grouped so they can be read.

It's worth knowing that the sales and purchases journals also have a second, tax-related use: the VAT return is compiled from them. That's why they appear even at small companies, where volume wouldn't otherwise require them. Chapter 35 returns to them.

FOR THE ACCOUNTANT

The general journal is a mandatory register under Accounting Law no. 82/1991, alongside the inventory register and the general ledger, and its form and manner of completion follow the rules on financial-accounting documents. Four practical observations. First: mandatory registers may be kept in electronic form, provided they can be printed at any time at the request of the control authorities and that integrity and legibility are ensured throughout the retention period; electronic form doesn't remove the obligation to be able to present them, only the medium. Second: the retention period is the one set by the accounting law, and it has been amended through successive legislative interventions in recent years — it's one of those figures that must be checked as of the current date, not recited from memory. Third: for companies using auxiliary journals, the general journal takes over their totals, not the individual transactions; the correlation that must be verified monthly is between the total of each auxiliary journal and the turnover of the accounts it feeds. Fourth: the sales journal and the purchases journal are registers for VAT purposes, provided for by the implementing rules of the Tax Code, and should not be confused with accounting auxiliary journals — their scope, the timing of tax chargeability, and the treatment of exempt transactions differ, and mechanically overlapping them is a frequent source of mismatches between the accounting records and the VAT return.

What comes next

The general journal tells everything that happened, but says nothing about state. To find out how much you have in account 401 at the end of the month, you need the same transactions viewed from another angle: grouped by account. That's the general ledger, and it's the next chapter.

Exercise 30.1 — the numbering that won't close

When checking the general journal for May, it's found that the sequence numbers jump from 148 to 151.

What could this be, and what do you do?

SOLUTION

Three hypotheses, in order of likelihood. First: entries 149 and 150 were created and then deleted as drafts, and the number was consumed. If numbering is assigned at posting, not at creation, the gap shouldn't appear.

Second: the entries exist, but were dated in a different month, so they appear in another journal. Look in the neighboring month.

Third, the serious one: the entries were deleted after posting. This would mean the system allows deletion, which cancels the evidentiary value of the entire register.

What to do: search first in the neighboring months, then in the transaction log — who, what, when. The gap itself is not an accounting error; it's a QUESTION, and the register must be able to answer it.

Why it matters: the journal's evidentiary value lies precisely in the continuity of numbering. An unexplained gap turns a register into a mere list.

The sequence number: how and when it's assigned

Numbering seems like an administrative detail until someone asks why a number is missing. Then it becomes the only question that matters, and the answer depends on a choice made long before: at what moment the number is consumed.

TWO POSSIBLE MOMENTS

The number is assigned…	What happens to a deleted draft	Verdict
at entry creation	the number remains consumed — a gap in the journal	the gap requires explanation every time
at POSTING	no number consumed; the draft never existed	numbering remains continuous by construction

The second option is the correct one, and it follows from chapter 12: until posting, the entry is not on record — so it has no reason to have a number in the register of record.

The same logic determines the order: the number is assigned in the chronological order of the posted entries, not in the order they were typed. A document from June 3 entered on June 20 receives the number it's entitled to by date, not the last free one.

VAT journals: the same transactions, a different criterion

The sales journal and the purchases journal are registers for VAT purposes, distinct from accounting auxiliary journals — and confusing the two produces, year after year, mismatches between the accounting records and the VAT return.

WHY THEY AREN'T THE SAME THING

	Accounting auxiliary journal	**VAT journal**
What it groups	transactions of the same kind	transactions within the scope of VAT
The date criterion	date of the transaction	date of tax CHARGEABILITY
What it includes	everything that was recorded	also transactions with no output VAT collected (exempt, reverse charge)
What it's used for	reading the register	compiling the VAT return

The second row is the source of most differences: for advances and intra-Community acquisitions, chargeability does NOT coincide with the document date.

The correlation to check monthly is simple and catches almost everything: the VAT total in the sales journal must equal the credit turnover of account 4427, and the one in the purchases journal must equal the debit turnover of account 4426. In the book's example: 2,940 and 2,100 lei, in both places.

> ***If the VAT journal and the trial balance don't agree, the return built on either of them will be wrong. The check is done before filing, not after.***

PROFESSIONAL WORKING PAPERS

Objective	**Evidence to retain**	**Review procedure**	**Risk indicator**
completeness and accuracy of mandatory registers	registers, trial balances, sequences and extraction parameters	reconcile period totals and investigate exclusions	report regenerated later under different rules and with no version record

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- The general journal includes all transactions, in chronological order, with continuous numbering throughout the financial year.
- The sequence number is given per accounting entry, not per each of its rows.
- The point of the order is evidentiary: a journal with no gaps proves that nothing was inserted afterward.
- It contains no balances and doesn't answer the question "how much do I have," but "what happened."
- The month's total must equal the total turnover in the trial balance, on both columns.
- Auxiliary journals group transactions by kind; the sales and purchases ones also have a fiscal role, in the VAT return.

Chapter 31

Systematic view: the general ledger

The same transactions, the same amounts, the same month — but arranged differently. The general ledger takes everything from the journal and groups it by account, not by day.

The result is a ledger card for each account, and that card answers the question the journal could not: what is the situation of this account, where did it start, and how did it get here.

An account's ledger card

The structure is the same for all accounts, regardless of their nature: opening balance, the period's movements in chronological order, the turnover on each side, and the closing balance.

LEDGER CARD FOR ACCOUNT 371 MERCHANDISE, JUNE

Date	Description	Debit	Credit
	Opening balance	20.000	
2026-06-10	Purchase of merchandise (stock inflow)	10.000	
2026-06-15	Inventory write-off — cost of merchandise sold		8.000
	Turnover	10.000	8.000
	Closing balance	22.000	

The closing balance is obtained from the opening balance plus debit turnover minus credit turnover: 20,000 + 10,000 − 8,000 = 22,000.

This card tells, on a single screen, the complete story of the merchandise in June: the business started with 20,000 lei of merchandise, purchased another 10,000, sold merchandise that had cost 8,000, and was left with 22,000 in the warehouse.

It's worth noting that the same event — the sale on June 15 — appears in the journal as three lines, of which only one is visible in the ledger card for account 371. This is not a loss of information: the other two appear in the ledger cards for accounts 4111, 707, and 4427. Each account sees, from the transaction, only the part that concerns it.

> ***The journal and the general ledger contain exactly the same figures. They differ only in the question they answer: "what happened then" versus "what is the situation here".***

The path back

The most important property of the general ledger is not that it shows the balance, but that it shows what it's made of. Any figure in a report can be unpacked, step by step, down to the document that produced it.

The path always has the same four steps: the balance sheet or the report you started from points to an account in the trial balance; the account in the trial balance points to its ledger card in the general ledger; a movement in the card points to the journal entry; the entry points to the supporting document.

Accounting software makes this journey in four clicks. A paper file makes it in four quarter-hours. But the possibility of making it is the same, and it is mandatory: a figure that cannot be traced back to a document has no business being in a financial statement.

Synthetic and analytic

Account 401 Suppliers has a balance. But the real question for any business owner is not "how much do I owe", but "whom do I owe". The answer lies in the account's analytic breakdown: the same amount, split by each partner.

The relationship between the two is a fixed rule: the sum of the analytic balances must equal the balance of the synthetic account. Not approximately — exactly. If they are not equal, one of them is wrong, and the wrong one is almost always the analytic breakdown, because that's where partners recorded under two different names get lost.

This check is worth doing monthly and is among the few that can be fully automated. Software that displays the analytic breakdown without confirming agreement with the synthetic account offers a nice-looking but unreliable list.

What the general ledger is not

Two confusions deserve clarification, since they often arise among those learning on their own.

The general ledger is not the trial balance. The general ledger contains the movements — all of them, one by one. The trial balance contains only the totals of each account, on a single line. One is the material, the other is the summary.

Nor is it a separate register, written a second time. In paper-based bookkeeping it actually was: the same transaction was copied manually into two registers, and the copying was the source of errors. In software, both registers are two views of the same collection of entries — which is why they can never differ.

FOR THE ACCOUNTANT

The general ledger is a mandatory register under the Accounting Law, and the accepted forms — the ledger card for miscellaneous transactions and, respectively, the "chess-board" ledger card (fișă de cont șah) — are those set out in the regulations on financial-accounting documents; the choice between them is a matter of volume and organization, not of compliance. Three useful observations. First: analytic development is mandatory for accounts expressly required by the regulations — among them third parties, inventories by custody/management unit, and expenses with limited deductibility — and the company's chart of accounts, with the analytic symbols used, is part of the accounting policies manual and must remain stable over time; changing the analytic structure during the fiscal year breaks comparability and is one of the frequent causes of synthetic-analytic mismatch. Second: for bifunctional accounts, the balance is determined on a net basis, but the presentation in the balance sheet follows the nature of the item, not the sign of the balance in the trial balance — a credit balance on 4111 is not presented as a trade payable without prior analysis of the cause, which is usually an unadjusted advance or an unallocated receipt. Third: the check on agreement between the analytic balances and the synthetic one must be performed at every closing and documented; it is the first control that catches partners entered twice under different names, and the difference it flags is always real, even if it is not visible in the synthetic trial balance.

What's next

With the journal and the general ledger, the bookkeeping is complete: everything is recorded, in chronological order and grouped by account. The question remains whether everything adds up — and for that there is a single tool, the oldest in accounting. That is the next chapter.

Exercise 31.1 — the path back, in four steps

The balance sheet shows trade payables of 87,400 lei. The business owner asks what the figure is made of and why it is higher than last month.

Describe the path, step by step, down to the documents.

SOLUTION

Step 1 — from balance sheet to trial balance: the trade payables line is made up of the credit balances of accounts 401, 404, and 408. Identify each one.

Step 2 — from trial balance to analytic breakdown: the balance of 401 is split by each supplier. Here you can immediately see whether the increase comes from a single partner or from many.

Step 3 — from analytic to ledger card: for the identified supplier, the month's movements, in chronological order.

Step 4 — from card to entry, and from entry to document: the invoice that produced the increase, with its number and date.

The check that confirms the path: the sum of the analytic balances must be exactly the synthetic balance. If it isn't, step 2 is lying, and the rest of the path leads to the wrong place.

Software performs the four steps in four clicks. What no software can do is step zero: knowing WHY it increased — that is, whether that purchase made sense.

Which accounts require analytic development

Analytic detail is not kept everywhere — that would be work without information. It is kept where the synthetic balance does not answer the question the account exists for.

WHERE ANALYTIC DEVELOPMENT IS MANDATORY, AND BY WHAT CRITERION

Accounts	Broken down by	The question it answers
401, 404, 408	supplier	whom I owe, and since when
4111, 418, 461	customer or debtor	who owes me
409, 419	partner	what exactly the advance was given or received for
5121, 5124	bank account	which statement is reconciled against which balance
5311, 5314	cash office	which cash register log
421, 425	employee	who is owed, and how much
542	person	who holds unaccounted-for company money

The common criterion: in each case, the total balance is true and useless. The information is in the breakdown.

For inventories, the breakdown is done by custody/management unit and by product, and for expenses with limited deductibility — protocol, sponsorship, vehicles — by category, because otherwise the year-end tax calculation cannot be done without reconstruction.

What happens when the analytic breakdown doesn't agree

The equality between the sum of the analytic balances and the synthetic balance is the cheapest check in accounting and one of the most productive. When it doesn't work out, the causes are few and identifiable.

WHY IT DOESN'T AGREE

Cause	How to recognize it
the same partner under two names	two analytic lines that should be one
a transaction recorded without a partner	the difference is exactly its amount
a deleted partner with a remaining balance	synthetic balance greater than the sum of the analytic balances
balances carried forward without breakdown	the difference appears from the first month of the year

The first is the most frequent and the hardest to fix later: after a few months, the two "companies" each have their own history.

> ***An analytic breakdown that doesn't agree with the synthetic account is not a reporting error: it's a data error. And the wrong figure is almost always the one in the breakdown, because the balance is checked against totals.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
agreement between the trial balance, general ledger and subledgers	trial balance, ledger accounts, journals and source reports	recompute movements and balances and verify that subledger totals agree with the control account	differences dismissed as rounding without tracing them to documents

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The general ledger contains the same transactions as the journal, grouped by account instead of by day.
- Every ledger card has the same structure: opening balance, movements, turnover, closing balance.
- An account sees, from each transaction, only the part that concerns it; the whole is reassembled from several cards.
- Its main purpose is the path back: from balance sheet to trial balance, from trial balance to card, from card to entry, from entry to document.
- The sum of the analytic balances must EXACTLY equal the synthetic account's balance — a monthly check, fully automatable.
- The general ledger is not the trial balance: one contains the movements, the other only the totals.

Chapter 32

The trial balance

The trial balance is the oldest control tool in accounting and, five hundred years later, still the most used. It is prepared monthly, before any report or declaration, and answers a single question: does everything balance?

Its form is a list: one row for every account that was touched, eight columns of figures, a totals row. Its power lies in the last row.

The eight columns

Every account appears with the balance it started from, what moved during the month, the sum of the two, and the balance it ended at — each, on debit and on credit.

THE JUNE TRIAL BALANCE — AN EXCERPT

Account	OB D	OB C	Movement D	Movement C	CB D	CB C
1012 Share capital		30.000				30.000
2131 Equipment	18.000				18.000	
281 Depreciation		2.166,68		466,67		2.633,35
371 Merchandise	20.000		10.000	8.000	22.000	
401 Suppliers		15.000	12.100	12.100		15.000
4111 Customers			16.940	16.940		
5121 Bank	40.000			15.025	24.975	
TOTAL	**83.000**	**83.000**	**76.659,17**	**76.659,17**	**102.594,17**	**102.594,17**

The "total amounts" columns (opening balance plus movement) have been omitted from this excerpt to save space; they add up to 159,659.17 on each side. Row 281 is a contra account: its balance is SUBTRACTED from 2131 — see Appendix A.

Row 4111 Customers deserves a closer look: it has movement on both sides and no balance. The customer was invoiced 16,940 lei and paid exactly that amount in the same month. The activity existed, the balance is zero — and a trial balance showing only balances would hide it completely.

The four equalities

The total at the bottom of the table contains four pairs of figures, and each pair must consist of identical numbers. These are the four series of equalities, and each one proves something different.

WHAT EACH EQUALITY PROVES

Equality	In the example	What it proves
total opening balance D = C	83.000	the month started from a balanced position
total movement D = C	76.659,17	every transaction of the month had both sides
total amounts D = C	159.659,17	the sum of the first two — verifies itself
total closing balance D = C	102.594,17	the position reached is balanced

The second is the informative one: it must also equal the total of the general journal for the same month.

The correlation with the journal entry register is the most useful of all, because it links two registers prepared along different paths. The journal collects lines in chronological order; the trial balance collects them by account. If the totals don't match, a transaction entered one and not the other.

What happens when it doesn't balance

In accounting kept on paper, a trial balance that wouldn't close meant hours of searching. In a software program, the situation shouldn't arise at all: entries are validated at recording time, and an unbalanced entry cannot be saved.

When it does occur, the cause is almost always one of three: opening balances carried over incorrectly at the start of the year, a transaction recorded directly in the database, bypassing the application, or a propagated rounding. The difference itself is the first clue — if it's divisible by nine, it's almost certainly a digit transposition.

> ***The trial balance is done monthly, not annually. An error found in the month it occurred costs a minute; the same error found the following March costs a day.***

What can be read from a trial balance, beyond the equalities

An experienced accountant doesn't look at the trial balance as a balance test, but as an X-ray. Several things can be seen immediately, without any calculation.

SIGNALS VISIBLE AT A GLANCE

What you see	What it means
credit balance on a cash account	impossible — a transaction is missing or dated incorrectly
debit balance on 401 Suppliers	usually an advance paid, not recorded as such in 409
credit balance on 4111 Customers	usually an unallocated receipt or an advance in 419
expense account with large credit movement	many reversals — worth understanding why
new account, appearing without explanation	a misclassification or an unchecked import

None of these signals unbalances the trial balance. They are all visible only if someone looks.

FOR THE ACCOUNTANT

The trial balance is mandatory at least monthly under the Accounting Law and the norms regarding financial-accounting documents, and its preparation is a mandatory precondition for preparing the financial statements. Four points of practice. First: the form with four series of equalities is the usual one, but the regulations also allow the form with three series; what matters is that the opening balances be those carried over from the previous period's trial balance, not recalculated independently — recalculation masks exactly the error that carrying-over is meant to flag. Second: a trial balance is also prepared for the analytical accounts, separately from the synthetic one, and the agreement between them is a separate check, one that does not follow from the equalities of the synthetic trial balance. Third: at year-end closing, two trial balances are worked with — the one before the closing operations, used for preparing the financial statements, and the one after, in which the revenue and expense accounts have zero balance; confusing the two empties out reports built on the movements of the result accounts. Fourth: in electronic form, the trial balance must be reconstructible identically at any later moment for a closed period; a trial balance that is recalculated from current data and yields a different result than the one listed at the time signals a retroactive modification — exactly what the discipline described in Chapter 29 prohibits.

What comes next

A trial balance closed on all four equalities is good news. But it isn't the news most people think it is — and the next chapter is the most counterintuitive in the whole book.

Exercise 32.1 — read the trial balance like an X-ray

A monthly trial balance shows: 5311 with a CREDIT balance of 1,240; 401 with a DEBIT balance of 3,000; 4111 with debit movement of 52,000 and credit movement of 52,000, zero balance; 581 with a debit balance of 8,500.

What does each row say?

SOLUTION

5311 credit: impossible. Money that isn't in the cash register can't be taken out of it. It's a recording error — a missing receipt or an incorrectly dated payment.

401 debit: not impossible, but unusual. Usually it means an advance paid to a supplier that should have been recorded in 409, or a duplicate payment.

4111 with equal movements and zero balance: perfectly normal and INFORMATIVE — customers were invoiced and paid in the same month. A trial balance showing only balances would completely hide 52,000 lei of activity.

581 with a balance: one end of an internal transfer is missing. The transit account must be zero at closing; 8,500 there means money left one place and, on paper, never arrived at the other.

None of the four unbalances the trial balance. All are visible at a glance — but only if someone looks.

Three forms, the same trial balance

The trial balance can be prepared with three, four, or five series of equalities, and the choice doesn't change the information, only how much of it is visible.

WHAT EACH FORM SHOWS

Form	Columns	What is lost compared to the next
three-series	prior amounts, movement, total amounts	the balances — they're calculated, but not displayed
four-series	opening balance, movement, total amounts, closing balance	nothing essential; it's the usual form
five-series	adds the balances from the start of the year	comparison with the opening of the fiscal year

The four-series form is the one used in this book and in most software programs. The five-series one helps with the annual closing, where it also matters where the year started from.

What doesn't change in any form is the number of accounts: the trial balance includes ALL accounts touched during the period, including those with zero balance, if they had movement. An account that received and gave the same amount existed that month, and a trial balance that omits it hides real activity — the case of account 4111 in the example above.

The analytical trial balance, the check that doesn't follow from the synthetic one

The trial balance above is synthetic: one row per account. Alongside it, for accounts that require it, an analytical one is prepared — one row per partner, per stock location, per employee.

The link between them is a strict equality: the sum of the analytical balances of an account must be exactly its synthetic balance. And this check does NOT follow from the four equalities of the synthetic trial balance — it closes perfectly even if the analytical detail is wrong, because the balance check operates on totals, not on the breakdown.

> ***The four equalities say nothing about the analytical detail. It's a separate check, and it's the one that uncovers partners entered twice under slightly different names.***

What's done with it, after it's closed

A verified trial balance is not an end in itself, but the starting point for all the other work of the month. The order is fixed and is worth remembering as a list.

WHAT RELIES ON THE TRIAL BALANCE

Work	What it takes from the trial balance
The VAT return	the movements of accounts 4426 and 4427, the carry-forward balance
D112	the balances of the personnel and contributions accounts
The financial statements	the closing balances, on the trial balance BEFORE closing
The statement of receivables and payables	the third-party balances, broken down analytically
The tax records register	the movements of expense accounts with special treatment

All five start from the same place. That's why a wrong trial balance doesn't produce one error, but five.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
independence and integrity of reconciliations	signed reconciliation, external sources and differences register	reperform material items and investigate old unresolved differences	reconciliation that changes the source data merely to force agreement

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The trial balance is prepared monthly, before any report or declaration.
- The four equalities concern opening balances, movements, total amounts, and closing balances.
- The total movement in the trial balance must equal the total of the general journal for the same period.
- An account with movement and zero balance shows real activity: a trial balance with only balances would hide it.
- When it doesn't close: incorrect opening balances, direct writing to the database, or roundings. A difference divisible by nine means transposed digits.
- Beyond the equalities, the trial balance reads like an X-ray — impossible balances are visible without any calculation.

Chapter 33

Balanced does not mean correct

This chapter contradicts the most widespread belief about bookkeeping: that a trial balance which closes means the bookkeeping is correct.

It doesn't. The trial balance proves only one thing — that every amount was written twice, once on debit and once on credit. About the correctness of those amounts, about the accounts chosen, about transactions missing entirely, it says absolutely nothing.

> ***The trial balance verifies form, not substance. It's a necessary condition, and one of the weakest conditions in bookkeeping.***

The six errors that get through

They're worth listing, because they aren't exotic cases: they are exactly the mistakes made in practice, and none of them disturbs any equality.

WHAT THE TRIAL BALANCE DOESN'T CATCH

The error	Example	Why it gets through
Total omission	an invoice was never recorded at all	both sides are missing at once
Wrong account	goods recorded in account 302 instead of 371	the amount is the same, just in the wrong place
Wrong amount on the entire entry	1,000 instead of 10,000, on both sides	the debit–credit ratio remains intact
Double recording	the same invoice entered twice	the second entry is just as balanced
Wrong period	a June expense dated in July	balance has no notion of date
The symmetric error	an exchange-rate difference with reversed sign on both sides	the mistake cancels itself out, but not in reality

The last one is the most insidious: the result is wrong by double the difference, and every mechanical check passes.

The second row deserves elaboration, since it's the most frequent. Goods recorded to a consumable-materials account don't unbalance anything, but they produce four consequences: the merchandise inventory is understated, the materials inventory is overstated, the cost of goods sold can no longer be correctly released at the time of sale, and at physical inventory the figures won't match anything in the warehouse.

And the third row is the most frightening, precisely because it's the simplest: an invoice for 10,000 lei entered as 1,000 passes any balance check. Nothing in the bookkeeping flags it. The only thing that uncovers it is someone comparing it against the document.

The case that gave the chapter its name

The symmetric error deserves to be told through a concrete case, because it's hard to believe until you see it.

A company has a liability of 100,000 euros to a foreign supplier. At closing, the exchange rate rises. The rule, from chapter 26, says that a liability that increases produces a loss. A program applying a single formula to all accounts instead records it as a gain.

The resulting entry is perfectly balanced: debit one account, credit another, the same amount. The trial balance closes. All four equalities are respected. And the year's result is wrong by double the difference — once because the loss is missing, and again because a nonexistent revenue appears.

This isn't a made-up example. It's a real error, found in an accounting program in actual use, which had produced years of wrong results without any automatic check ever flagging it.

What is verified, then

If the trial balance isn't enough, the natural question is what is. The answer isn't a single tool, but a set of confrontations with something outside the records — and the book has already introduced all of them.

THE CHECKS THAT CATCH WHAT THE TRIAL BALANCE DOESN'T

The check	What it catches	Chapter
Bank reconciliation	missing transactions, wrong amounts in cash/treasury	16
Physical inventory	wrong stock, wrong accounts, real shortages	20
Subledger–general ledger agreement	duplicated partners, wrongly attributed balances	31
Comparison with filed returns	VAT, payroll, revenue — period differences	35
Impossible balances	negative cash, reversed balance on third-party accounts	32
Reading the document alongside the entry	wrong amount, wrong account, wrong period	9

All have the same structure: they compare the records against something that doesn't come from them. The trial balance only compares itself with itself.

The last row is the only one that catches all six errors from the previous table, and it's the only one that no program can do in someone's place. It's also why bookkeeping remains a profession, not a calculation function.

> **FOR THE ACCOUNTANT**
>
> The classification of errors that don't affect the balance's equality is classic in the specialized literature — errors of omission, of commission, of principle, of compensation, and of transposition — and its practical usefulness is that it suggests the right control for each class, not just their existence. Three observations. First: compensating errors, in which two opposite-sign mistakes cancel each other out, are the only ones that survive even a check via the subledger balance; they are practically discovered only by comparison with the document or an external source, which makes sampling documents at closing not a formality but the only effective control against them. Second: verifying correlations between reports — journal turnover against trial balance turnover, third-party balances against the receivables and payables statement, VAT accounts against the filed VAT return, personnel accounts against Declaration 112 — is mandatory before filing any report, and the findings must be documented; a closing file without these correlations proves nothing to an inspection. Third: a difference divisible by nine indicates a transposed digit, and one equal to double an amount indicates an entry on the wrong side — two old rules of thumb, but ones that shorten the search from hours to minutes when a trial balance truly won't close.

What comes next

One more report remains in this part, and it's the only one that verifies nothing: it's built to be used in running the business. It shows who owes you, whom you owe, and since when — and aging is the information missing from all the other reports.

Exercise 33.1 — which errors get through

For each, say whether the trial balance flags it:

(a) An invoice for 8,000 lei recorded as 800. (b) An invoice recorded only on debit. (c) Rent posted to the merchandise account. (d) The same invoice entered twice. (e) An exchange-rate difference on a liability, posted to revenue instead of expenses.

SOLUTION

(a) NO. Both ends carry the same wrong amount, so the balance is intact. It's discovered only by comparing against the document.

(b) YES. This is the only class of error the trial balance catches: the missing half.

(c) NO. The amount is correct and written twice; only the drawer/account is wrong. It's discovered at physical inventory or by reading the account ledger card.

(d) NO. The second entry is just as balanced as the first. It's discovered at bank reconciliation or when reconciling with the supplier.

(e) NO, and it's the most serious one: the result comes out wrong by DOUBLE the difference — once because the expense is missing, and again because a nonexistent revenue appears. All four equalities are respected.

Final score: out of five errors, the trial balance catches one. That's exactly why this chapter exists.

What it does catch, though

The chapter has insisted on what the trial balance doesn't catch, and rightly so. But it's worth also saying what it does catch, because otherwise it seems useless — and it isn't.

THE ONLY CLASS IT DISCOVERS ON ITS OWN

The error	How it shows up	How it's found
only one side recorded	the totals differ	the difference IS the missing amount
balance posted to the wrong side	the difference is double the balance	divide the difference by 2 and look for that amount
digits transposed when typing	the difference divides evenly by 9	compare against the document, digit by digit
an account forgotten when carrying forward	the difference is exactly its balance	compare the chart of accounts with the prior trial balance

All four are variants of the same error: an amount that appears in only one place. The rest of the chapter's classes pass through untouched.

The divide-by-2 and divide-by-9 rules aren't bookkeeping superstitions: they follow from arithmetic. An amount moved from one side to the other changes the difference by double its value, and transposing two adjacent digits always produces a multiple of nine. They don't say where the error is, but they narrow the search from the whole trial balance down to a single type of amount.

What is done instead of the missing check

If balance can't confirm correctness, the practical question is what does. The profession's answer is sampling: not everything gets checked, what's checked is chosen.

There are three criteria for the selection, and they explain why a well-made file doesn't contain random checks. Large transactions are chosen, because there an error carries weight; unusual ones, because there the classification is debatable; and those at the edge of the period, because that's where cut-off errors occur.

WHAT IS SAMPLE-CHECKED AT A CLOSING

What is selected	Why	What is looked for
the top ten transactions by value	an error there shifts the result	the amount and account, against the document
transactions from the last three days of the month	that's where period errors happen	the document date versus the recording date
transaction types used only once	unusual classification, therefore undiscussed	whether the type chosen was the right one
any transaction without an attached document	cannot be proven	the document, or an explanation for its absence

Four samples, an hour of work. They catch more than rereading the entire trial balance, which catches nothing that wasn't already caught.

> ***Balance verifies itself. Correctness is verified through selection — and good selection is the kind that goes where an error would cost the most, not where it's easiest to look.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
detection of errors that do not disturb debit–credit equality	trend analyses, confirmations, classification documents and targeted tests	design procedures around assertions, not only total debits equalling total credits	correctness concluded solely because the trial balance balances

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

TO REMEMBER FROM THIS CHAPTER

- The trial balance proves only that every amount was written twice; about the amounts and accounts themselves, it says nothing.
- Six classes of error pass through untouched: omission, wrong account, wrong amount on the whole entry, double recording, wrong period, and the symmetric error.
- An invoice for 10,000 entered as 1,000 satisfies all four equalities.
- The symmetric error skews the result by DOUBLE the difference and passes any mechanical check.
- What does catch it: confrontations with something outside the records — bank statement, physical inventory, tax returns, source document.
- The only check that catches all six is reading the document alongside the entry, and it cannot be automated.

Chapter 34

The Aging Schedule

All the reports so far have been made to verify or to report. The aging schedule is the only one made to run the business — and, perhaps for that reason, the only one a business owner reads on their own initiative.

It answers three questions the trial balance cannot reach: who owes me, whom I owe, and, above all, since when.

Why the Balance Isn't Enough

Account 4111 Clients (Trade Receivables) might show a balance of 200,000 lei. The figure is true and almost useless, because it doesn't say whether the 200,000 are invoices issued last week or receivables two years old.

The first situation is normal. The second is a company in danger, with the same balance and the same balance sheet. The difference between them shows up nowhere in the general ledger — only in the age of the balances.

> ***A receivable isn't measured only in lei, but in lei and in days. The second dimension is missing from all mandatory reports.***

What It Looks Like

The aging schedule places each partner on a row and splits their balance into age brackets, counted from the invoice date or from the due date.

CLIENT STATUS AS OF JUNE 30

Client	Total	0–30 days	31–60	61–90	over 90
Alfa Construct	48.000	48.000			
Beta Distribuție	65.000	20.000	45.000		
Gama Impex	31.000				31.000
Delta Service	12.000		12.000		
TOTAL	**156.000**	**68.000**	**57.000**	**0**	**31.000**

The same information given by account 4111 — 156,000 lei — but with the question that actually matters already asked.

Read this way, the table says something the balance didn't: 31,000 lei are older than ninety days and belong to a single client. That is no longer a receivable to be tracked, but a decision to be made — chapter 27 shows what happens to it in the accounting.

How Aging Is Determined

This is the technical part of the chapter, and it deserves to be understood, because on it depends whether the table tells the truth.

A client usually has several invoices and several payments, and payments rarely arrive with the note "this settles invoice number such-and-such." It must therefore be decided which invoice each collection settles, and the entire distribution across intervals depends on this decision.

The natural convention is settlement in order of age: the first payment settles the oldest invoice, the remainder carries forward. This is also the one implicit in law absent other instructions, and the prudent one — if you err, you err by showing the balance older than it is, not newer.

The opposite convention — payment settles the most recent invoice — would make old debts appear forever fresh, and the table would become the exact opposite of an alert tool.

The Trap of Transfers Between Accounts

There is a typical error in building the aging schedule, worth describing because it is invisible and doubles the figures.

A receivable can change accounts without changing size. A delivery note sits in 418 Clients — Invoices to be Issued; when the invoice is issued, the same receivable moves to 4111. Symmetrically, an expense without an invoice sits in 408 and moves to 401 when the invoice arrives.

If the mechanism that builds the aging schedule looks at each line separately, it will see at 4111 a new receivable of 10,000 lei and will not see that elsewhere a receivable of 10,000 has just disappeared. The result: the same client appears with 20,000 lei, half of which doesn't exist.

The sign that this has happened is easy to recognize: the aging schedule shows a different total than the account balance. When two reports about the same thing don't match, the one built by aggregation is always the wrong one — not the balance.

What to Do With It

An aging schedule read monthly changes three things in running a business, and none of them is accounting.

First, the order of phone calls. You don't call every overdue client, but call first those in the oldest column with the largest amount — a list of five names, not fifty.

Then, the decision whether to keep delivering. A client with 45,000 lei overdue for more than sixty days should not receive a new order without a discussion, however tempting the order might be. Accounting doesn't make the decision, but it provides the figure without which the decision would be made by instinct.

Finally, the mirror. The same report exists for suppliers, and comparing the two tables shows whether the company finances its activity from supplier credit or the other way around. It is the simplest cash-flow analysis one can perform, and it requires no calculation.

FOR THE ACCOUNTANT

The statement of receivables and payables is expressly required as an annex to the annual financial statements, broken down by maturity terms — under one year and over one year — and information about overdue receivables and their age is covered in the explanatory notes. Four practical observations. First: the accounting aging schedule is built on the payment term from the contract or invoice, not on the document date; when the two are confused, an invoice due in ninety days appears overdue from day one, and the alert loses all value. Second: for receivables denominated in foreign currency, age is tracked based on the foreign-currency amount, and the lei balance is reconciled separately with the revaluation from chapter 26 — otherwise exchange-rate differences appear to be partial payments and disrupt settlement. Third: receivables from affiliated parties and those from third parties are presented separately, and offsetting between receivables and payables with the same partner may be done only under the conditions of the law on offsetting; net presentation without legal basis distorts both liquidity indicators and the reporting base for informative declarations. Fourth: the age of balances is the primary source for the impairment analysis in chapter 27 — the 270-day threshold from tax law is read directly from this table, and a company that doesn't prepare it monthly discovers the deductibility condition only after the fiscal year in which it could have been met has already expired.

What Comes Next

With this chapter, part seven comes to a close. The company's accounting is complete, verified from every angle that can be verified, and read as a management tool.

Next comes the part where it turns toward the state. Not as a separate obligation, but as a result: declarations aren't filled in, they are composed from the month already recorded. And the first of them is the most frequent and the most misunderstood — value added tax.

Exercise 34.1 — Who Do You Call First

The client aging schedule shows: Alfa 48,000 all under 30 days; Beta 65,000 of which 45,000 at 31–60 days; Gama 31,000 entirely over 90 days; Delta 12,000 at 31–60 days.

(a) Who do you call, and in what order? (b) Who do you stop delivering to? (c) What accounting entry is approaching?

SOLUTION

(a) Gama first: 31,000 lei over 90 days is the oldest and one of the largest amounts. Then Beta, for the 45,000 at 31–60 days. Delta, with 12,000, is third. Alfa doesn't get called: it's not overdue.

(b) Gama no longer receives a new order without a discussion and, probably, without advance payment. Beta deserves a credit limit — not a refusal, but a cap.

(c) For Gama, reclassification to doubtful receivables is approaching and, if the situation doesn't change, the setting up of an impairment adjustment. Past 270 days, the partial deduction condition would also be met.

What the exercise shows: out of 156,000 lei of receivables, all the attention goes to three names, and the commercial decision and the accounting one are made from THE SAME figure. A balance of 156,000 on account 4111 alone would not have said any of these three things.

The Supplier Aging Schedule, Read in Reverse

The same report exists for payables, and there it is read exactly the other way around: what is a warning signal for clients is, up to a point, a resource for suppliers.

THE COMPANY'S PAYABLES IN THE EXAMPLE, BY AGE

Interval	Amount	What It Means
0–30 days	12.100,00	normal trade credit
31–90 days	0,00	—
over 90 days	2.900,00	old debt — check why
Total	**15.000,00**	

The figures are those calculated by the application on the book's example. The third row calls for an explanation: either it's a disputed invoice, or a forgotten one.

An old debt to a supplier isn't necessarily a bad sign — it could be an invoice under dispute, or one for which a long term was agreed. It becomes a problem when no one knows anymore which of the two it is, and that happens within a few months.

The Two Aging Schedules, Read Together

The real information emerges from the comparison. If you collect on average in 60 days and pay in 30, you finance the activity from your own money; if it's the reverse, you finance it from supplier credit.

WHAT THE RATIO BETWEEN THEM SAYS

Situation	What It Means	What Can Be Done
you collect faster than you pay	the activity self-finances	volume can grow without new capital
you collect slower than you pay	every new order needs cash	either better terms or advance payments
both long	chain of delays	risk is passed further down the chain

None of the three shows up in the income statement. A company can be profitable in any of them.

From the average age of receivables, a simple indicator is calculated: the average collection period, i.e., the client balance divided by daily sales. At 156,000 lei receivables and sales of 30,000 lei per month, it is approximately 156 days — a number that says more than any discussion about "clients who pay late."

> ***Receivables and payables are read together. Separately, each shows a list of names; together, they show whether the company is financing its growth or paying for it.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
completeness and accuracy of receivable and payable maturities	partner subledgers, contracts, due dates, confirmations and subsequent receipts/payments	reconcile to the trial balance and test maturity, ageing, disputes and cash flows	default due dates, old balances with no action, or assumed set-offs

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

TO REMEMBER FROM THIS CHAPTER

- A receivable's balance says nothing without its age: 200,000 lei that is recent and 200,000 lei that is two years old look identical in the trial balance.
- The aging schedule breaks each partner's balance into age intervals: 0–30, 31–60, 61–90, and over 90 days.
- Payments settle invoices in order of age — the prudent convention and, absent other instructions, the natural one.
- Transfers between accounts in the same family (418 → 4111, 408 → 401) double the figures if the mechanism counts them as new transactions.
- The warning sign is simple: if the aging schedule doesn't give the same total as the account balance, the aging schedule is wrong.
- It is used for three decisions: whom to call, to whom to keep delivering, and whether the company is financing itself from supplier credit or the other way around.

Chapter 35

VAT: collected, deductible, payable

Value added tax is the most misunderstood obligation of a company, and the confusion starts from something simple: the VAT money passes through the company's account, but it is never the company's own.

The company collects it from the customer along with the invoice, holds it for a few weeks, and transfers it to the state. Its role is that of a collector, not a payer — even though the return says "payable."

The two accounts

The entire mechanics of VAT rest on two accounts and the difference between them.

THE TWO FACES OF THE TAX

Account	What it accumulates	Nature
4427 VAT collected	tax invoiced to customers	liability — not the company's money
4426 Deductible VAT	tax paid to suppliers	receivable — recoverable

The difference between them is what the company owes the state for that month. If it is negative, the state owes the company.

The "value added" in the tax's name is exactly this difference. The company pays tax only on what it has added to the value of the good — the rest had already been paid by its suppliers, and the company deducts it.

The return, in real figures

Here is June for a small company, as the VAT return comes out of its own accounting records, without any intervention.

JUNE'S VAT RETURN

Operation	Base	Rate	VAT
Supplies of taxable goods and services	14.000	21%	2.940
Purchases with the right of deduction	10.000	21%	2.100
VAT payable			**840**

The figures are not filled in: they are added up from the month's accounting entries. The return is a result, not a form.

The company collected 2,940 lei of VAT from customers and paid 2,100 to suppliers. It owes the state the difference of 840. It has neither lost nor gained anything: the 840 lei were, from the very start, the state's.

> ***The return is not filled in, it is composed. Every figure in it comes from accounting entries already recorded — if you have to type something in, an entry is missing somewhere.***

When the deductible is larger

This happens often and is not an anomaly: a month with large investments, inventory built up ahead of the season, an exempt export with the right of deduction. The difference becomes VAT to be recovered.

The company then has two options: to request a refund, with a tax inspection in most cases, or to carry forward the amount to the following month, where it will be deducted from the VAT payable.

Carrying forward is the natural and most commonly used mechanism. It is also why the return has, at its head, a line for the previous period's balance: VAT is not closed month by month, but flows from one month to the next until it is settled.

When VAT is not deductible

The right of deduction is not automatic. Three conditions must be met at once, and the absence of any one of them cancels it.

WHAT DEDUCTION REQUIRES

Condition	What it means in practice
a compliant invoice	with all mandatory elements, in the company's name
economic purpose	the purchase serves the company's taxable operations
supplier registered for VAT purposes	code valid on the date of the operation

Checking the supplier's VAT code on the invoice date is not a formality: an invoice from a supplier whose code has been cancelled does not give the right of deduction.

To these are added the express limitations: expenses without economic purpose, entertainment expenses above the ceiling, and, the most frequent case, passenger cars — for which the deduction is limited to half, if the vehicle is not used exclusively for economic purposes.

Monthly or quarterly

The fiscal period depends on turnover and on intra-Community operations. The practical rule: small companies file quarterly, large ones monthly, and an intra-Community acquisition of goods immediately changes the period to monthly, starting from the very month in which it occurred.

The surprising consequence is that the change is neither optional nor postponable: a single purchase from a supplier in another Union country brings with it the obligation to switch to monthly filing and to report the change. It is one of the few situations where a single operation changes the company's reporting regime.

> **FOR THE ACCOUNTANT**
>
> The rates in force are 21% standard and 11% reduced, applicable from 1 August 2025 under Law 141/2025, while the small-enterprise exemption threshold is 395.000 lei. Four practical observations follow. First, chargeability — rather than the chargeable event — determines the month in which VAT enters the return. The two normally coincide for supplies of goods and services; for advances, however, VAT becomes chargeable upon receipt, while for intra-Community acquisitions it becomes chargeable on the invoice date or, at the latest, on the fifteenth day of the month following the chargeable event. Posting solely by document date is a recurring source of differences between the accounting records and the VAT return. Second, the right of deduction is exercised once the substantive and formal conditions are met and may be exercised later, within the statutory time limit, through a subsequent VAT return; Form D300 is not filed as an amended return for the same period. Third, omissions and corrections covered by the form instructions are reported, according to their nature, in the adjustment rows of a subsequent return. Strictly defined material errors — such as calculation or transcription errors — follow the correction-request procedure handled by the tax authority under OPANAF No. 3.604/2015. Fourth, the carry-forward line must agree exactly with the VAT balance in the preceding return and the trial balance. The cause must be established before any correction, because a tax adjustment, a material-error request and a correction of the accounting records are not interchangeable.

The link with the registers

The return is composed from the sales journal and the purchases journal, encountered in chapter 30. These are registers for VAT purposes, distinct from the accounting journals, and their totals must correspond to the turnover of accounts 4427 and 4426 in the trial balance.

This correlation is the last check before filing and is always worth doing: if the journals and the trial balance do not say the same thing, one of them is wrong, and the return built on either one will be just as wrong.

Exercise 35.1 — the return, from entries

The month: taxable sales 40,000 base; purchases with right of deduction 25,000 base; a fuel invoice of 2,000 base for a passenger car also used personally; VAT balance to be recovered from the previous month 900 lei. Rate 21%.

Calculate the VAT payable or to be recovered.

SOLUTION

Collected: 40,000 × 21% = 8,400 lei.

Deductible from ordinary purchases: 25,000 × 21% = 5,250 lei.

Fuel: VAT of 2,000 × 21% = 420 lei, but only 50% deductible for the vehicle that is not used exclusively for economic purposes — so 210 lei. The remaining 210 becomes an expense.

Total deductible: 5,250 + 210 = 5,460 lei. The month's difference: 8,400 − 5,460 = 2,940 payable.

The carry-forward is subtracted: 2,940 − 900 = 2,040 lei payable.

The check to be made before filing: the 900 lei on the carry-forward line must be EXACTLY the balance of account 4424 in the previous month's trial balance. This is the correlation that catches almost all carry-forward errors.

The chargeable event and chargeability

This is the most frequent source of discrepancies between the accounting records and the return, and it comes from a distinction that the document does not show: the moment the operation OCCURS is not necessarily the moment the tax BECOMES DUE.

The first is called the chargeable event, the second chargeability. In an ordinary supply they coincide, and the distinction seems unnecessary. In four situations they do not coincide — and that is exactly where the month is gotten wrong.

WHEN THE TAX BECOMES DUE

Operation	Chargeable event	Chargeability
Ordinary supply of goods	at delivery	at delivery (along with the invoice)
Advance collected from the customer	has not occurred yet	at the COLLECTION of the advance
Intra-Community acquisition	at delivery in the other state	on the invoice date, but no later than the 15th day of the following month
VAT cash accounting scheme	at delivery	at the COLLECTION of the invoice
Continuous supply (rent, subscription)	at the end of the agreed period	at each due date under the contract

The right-hand column is the one that decides which return the operation enters. Those who go by the document date get the last four rows wrong.

The third row deserves to be read twice, since it is the most counterintuitive: for an intra-Community acquisition without an invoice received by the 15th day of the following month, the tax becomes chargeable regardless, on that date. The document is not waited for — a self-invoice is issued.

> ***The return is composed according to CHARGEABILITY, not the document date. It is the only rule in this chapter that a program cannot guess from the invoice: it needs to know what kind of operation it is.***

The advance, in figures

The advance case deserves to be unpacked, since it produces three operations for a single sale and because the second one is the one that gets forgotten.

AN ADVANCE OF 12,100 LEI, FOLLOWED BY A DELIVERY OF 24,200

Moment	What is recorded	VAT collected
The advance is collected	advance invoice: 4111 = 419 + 4427	2,100.00 — chargeable NOW
The goods are delivered	final invoice, for the total value	4.200,00
On the same invoice	REVERSAL of advance: 4111 = 419 + 4427, in red	−2.100,00
	VAT collected, in total	**4.200,00**

Without the third line, the tax would be collected twice on the same value: once on the advance and again on delivery.

The regularization of the advance is done in the final invoice itself, not as a separate operation — and this is why the document type for the final invoice with an advance is distinct from the ordinary one. It is the same pattern as the inventory write-off in chapter 11: a line that is not visible from the document, but without which the result is wrong.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
recognition of VAT only when the legal and documentary requirements are met	invoices, VAT registers, counterparty status, use and reporting period	test chargeability, deduction entitlement, rate and restrictions	VAT deducted solely because it is separately stated on the invoice

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

TO REMEMBER FROM THIS CHAPTER

- VAT money passes through the company, but is not the company's own: 4427 is a liability, 4426 is a receivable, the difference is transferred.
- The return is not filled in, it is composed from the month's accounting entries.
- When the deductible is larger, the amount is carried forward to the following month — VAT flows from one month to the next.
- Deduction requires three conditions at once: a compliant invoice, economic purpose, and a supplier with a valid code on the date of the operation.
- The rates are 21% and 11% from August 1, 2025; the deduction for passenger cars is limited to 50%.
- A single intra-Community acquisition of goods switches the company to monthly filing, immediately and mandatorily.

Chapter 36

Special regimes

The previous chapter described the general rule: the tax is owed at delivery, by the supplier, on the full value. There are, however, situations in which each of these three elements changes — the moment, the person liable, or the taxable base.

These are not exotic exceptions. An ordinary company usually encounters two or three of them, and the wrong application of any one produces either tax paid for nothing, or a liability discovered during an audit.

The map

WHAT CHANGES COMPARED TO THE GENERAL RULE

Regime	What changes	Typical situation
VAT on collection (cash accounting)	THE MOMENT of chargeability	small companies, under the threshold, that opt in
Reverse charge	THE PERSON liable for payment	intra-Community acquisitions, cereals, construction
The margin scheme	THE taxable BASE	second-hand goods, works of art, tourism
Pro-rata	HOW MUCH is deducted	companies with exempt operations without deduction rights
Triangular operations	THE PLACE of the operation	three companies, three countries, a single movement of goods

Each row answers a different question from the four that define an operation: when, who, how much, and where.

VAT on collection: the tax follows the money

Under the normal regime, VAT becomes chargeable when the invoice is issued. The company owes it to the state even if it has not collected it — and an uncollected invoice becomes, as seen in chapter 27, a loss greater than the uncollected amount.

The VAT on collection regime shifts the moment: the tax becomes chargeable when the customer pays. For a company with customers who are late payers, the cash-flow advantage is considerable.

The price is symmetrical and is often forgotten: the company can no longer deduct the VAT from suppliers either, until it pays them. The regime therefore applies on both sides, and a company that pays promptly and collects slowly gains, while one that does the opposite loses.

Accountant, this is where account 4428 Non-chargeable VAT finds its purpose: the tax sits there, on sales as on purchases, until the moment of payment, when it moves into 4427, respectively into 4426.

The scheme is optional and has its own threshold, distinct from the small-enterprise exemption threshold: 5.000.000 lei for 1 March–31 December 2026, increasing to 5.500.000 lei from 1 January 2027. Entry, exit and threshold crossings are notified, and actual application is verified in ANAF's public register; an internal setting that disagrees with the register does not change chargeability for counterparties.

Reverse charge: the obligation shifts to the buyer

This is the mechanism that surprises most on first encounter: the supplier issues the invoice without VAT, and the buyer records the tax itself, at once as a liability and as a deduction right.

The result is that, in most cases, the effect on cash flow is zero: the same amount appears in 4427 and in 4426, and the VAT return picks it up in both columns. This is also why the operation seems, at first glance, pointless.

The point is different: the reverse charge eliminates the possibility that the supplier collects the VAT and disappears without remitting it. It applies to intra-Community acquisitions, to imports of services, and, within the country, to categories exposed to fraud — cereals, timber, waste, certain construction works.

The practical trap is that the omission is not visible: if the company does not record the self-charge at all, the VAT return is smaller on both columns and appears correct. It is only discovered by cross-checking against the partner's declarations, at the tax administration level.

> ***Under reverse charge, disregarding the obligation does not produce a payment difference. It produces a false declaration — which is more serious.***

The margin scheme: tax only on the markup

A dealer who buys a used car from a private individual receives no VAT invoice, so has nothing to deduct. If they were to charge tax on the entire selling price, they would pay tax on a value they did not add themselves.

This is what the special margin scheme is for: the tax is calculated only on the difference between the selling price and the purchase price. It applies to second-hand goods, works of art, antiques and, with its own rules, in tourism.

Two consequences are worth remembering. First: the invoice issued does not show VAT — the buyer has nothing to deduct, and the mention of the special regime is mandatory.

Second: the company must keep a separate register of goods under this regime, because the margin is calculated for each item individually, not on the total.

Pro-rata: partial deduction

A company that has both taxable operations and exempt operations without deduction rights — a medical clinic with a pharmacy, a school with consulting activity — cannot fully deduct the VAT on shared expenses.

Pro-rata is the proportion in which it deducts them: the share of operations with deduction rights in the total operations. During the year a provisional pro-rata is used, and at year-end the final one is calculated and the difference is adjusted.

A detail that changes the figure: the final pro-rata is rounded UP, to the nearest unit. A proportion of 70.2% becomes 71%, not 70%. Rounding down, done out of arithmetic reflex, takes away part of the company's deduction every year.

> FOR THE ACCOUNTANT
>
> The schemes are governed separately: the cash-accounting VAT scheme by Article 282(3)-(8) of the Tax Code; reverse charge by Articles 307 and 331 and, for intra-Community acquisitions, Article 308; the special margin scheme by Article 312; and the pro rata by Article 300. Five substantive points follow. First, under OUG 8/2026, the cash-accounting VAT threshold is 5.000.000 lei for 1 March–31 December 2026 and increases to 5.500.000 lei from 1 January 2027; notification and the public register are part of the control trail. Second, under the cash-accounting VAT scheme, VAT becomes chargeable upon receipt, and the former general ninety-day rule does not apply to every invoice. Third, under the margin scheme, the taxable amount is determined item by item, and a negative margin cannot offset a positive one; item-level records are a condition of the scheme. Fourth, the pro rata applies only to mixed-use purchases: purchases used exclusively for transactions carrying a right of deduction are deducted in full, while those used exclusively for transactions without that right are not deducted. Fifth, input VAT on capital goods is adjusted over five years, or twenty years for immovable property, and the capital-goods register must remain available when the company's VAT scheme changes.

Triangular operations

The last regime on the list is the rarest and most confusing: three companies from three states of the Union, goods moving directly from the first to the third, while the one in the middle — which buys and resells — is not allowed to register in either of the other two countries.

The simplification measure resolves exactly this: the acquisition made by the company in the middle becomes non-taxable in its country, and the payment obligation shifts to the final buyer. The price is a strict declarative formality — the operation must be reported with a distinct code in the recapitulative statement, and the invoice must bear the corresponding mention.

It is worth knowing that it applies and that it is simple once understood, because the alternative — VAT registration in a second state — costs ten times more than the operation itself.

Exercise 36.1 — which regime applies

For each operation, say which regime applies and who owes the tax:

(a) You buy cereals from a Romanian producer, VAT payer. (b) You buy equipment from a company in Germany. (c) You sell a used car, bought from a private individual. (d) You provide consulting services to a company in France.

SOLUTION

(a) Domestic reverse charge. The supplier issues without VAT; you record the tax simultaneously as a liability and as a deduction right. Net cash-flow effect: zero.

(b) Intra-Community acquisition, also reverse charge. In addition, the operation mandatorily moves you to MONTHLY filing of the VAT return, starting from the very month it occurred, and brings D390.

(c) Special margin scheme: the tax is calculated only on the difference between the selling price and the purchase price. The invoice does NOT show VAT, and the mention of the regime is mandatory.

(d) Intra-Community supply of services: the place is at the beneficiary, so the operation is not taxable in Romania. It is reported in D390 with the services code.

What (a), (b) and (d) have in common: the obligation shifts to the other party, and the omission does NOT produce a payment difference — it produces a false declaration, which is discovered by cross-checking against the partner's declarations.

Pro-rata, over a whole year

Pro-rata is the regime most often applied incorrectly, because it has three distinct moments and because its rounding is not done like any other. Here is a full year, for a company with taxable and exempt operations.

THE YEAR, STEP BY STEP

Moment	What is done	The figure
January 1	the provisional pro-rata is applied, the one from the previous year	80%
during the year	80% of the VAT on MIXED acquisitions is deducted	6.720,00
December 31	the actual proportion is calculated: 341,000 out of 400,000	85,25%
	it is rounded UP, to the nearest unit	86%
	the deduction is recalculated to 86%	7.224,00
adjustment	**the difference is deducted additionally**	**504,00**

The figures are calculated with the formula from the application. Acquisitions with MIXED use had 8,400 lei of VAT — the rest of the acquisitions are fully deductible or not deductible at all, depending on their use.

The rounding deserves emphasis, because it is the only one in accounting that always goes in the company's favor and because it is easy to get wrong out of reflex. At 85.25%, arithmetic rounding would give 85%, i.e. 7,140 lei deducted — 84 lei less than is due. The amount is small over one year; the rule, applied wrongly and systematically, is not.

> ***The final pro-rata is rounded UP, to the nearest unit. Not to the nearest whole number — up, always. It is written into the law, and it is the only rounding that is not negotiable.***

What is included in the calculation and what is not

The denominator of the pro-rata is not "all revenues." There are operations that do not enter the calculation at all, and including them distorts the proportion — usually to the company's disadvantage.

THE SCOPE OF THE CALCULATION

Included	Not included
taxable supplies and services	disposals of fixed assets
operations exempt WITH deduction rights	incidental financial operations
operations exempt WITHOUT deduction rights	subsidies that are not the price of an operation
	reversals of provisions and adjustments
	changes in inventory and own production of fixed assets

The column on the right has one criterion in common: these are not operations within the scope of the tax. A report that cannot say WHAT it excluded and why cannot be defended before an inspector.

And one last rule, often forgotten from year to year: pro-rata applies only to acquisitions with MIXED use. What is purchased exclusively for operations with deduction rights is fully deductible, and what is purchased exclusively for operations without such rights is not deductible at all. Applying pro-rata to all inputs is an error in both directions at once.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
identification and correct application of special VAT schemes	options, ANAF registers, invoices, receipts/payments and scheme calculations	verify eligibility, entry/exit, chargeability and the threshold for the period	special scheme retained after its conditions cease or applied retroactively

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Each special regime changes something different: the moment, the person liable, the base, how much is deducted, or the place of the operation.
- VAT on collection shifts chargeability to the moment of payment — on both sides: the deduction is not made either until the supplier has been paid.
- Under reverse charge the cash-flow effect is zero, but the omission produces a false declaration, not a payment difference.
- The margin scheme taxes only the markup and requires per-item records; the invoice does not show VAT.
- Pro-rata applies only to acquisitions with MIXED use, and the final one is rounded UP, to the nearest unit.
- Triangular operations avoid registration in another state, but require reporting with a distinct code and a mention on the invoice.

Chapter 37

Declarations and their deadlines

The number of declarations a Romanian company owes is intimidating at first glance and becomes manageable as soon as you understand the principle: each declaration corresponds to an obligation, and obligations arise from what the company does, not from what someone chose to require.

A company with no employees does not file D112. One with no intra-Community transactions does not file D390. The list is not the same for everyone — it is derived from the tax regime and from actual activity.

Who owes what

THE DECLARATION AND THE OBLIGATION BEHIND IT

Declaration	When it is filed	What it reports
D112	monthly or quarterly	wages, contributions, income tax
D300	monthly or quarterly	the VAT return
D394	Same period as D300; own term	supplies and purchases within national territory
D390	monthly	intra-Community transactions
D406 SAF-T	monthly or quarterly	the standard audit file — the accounting data
D100	monthly or quarterly	micro-enterprise tax, advance payments, withholdings
D101	annual	corporate income tax
D205	annual	withholdings for each beneficiary
D301	in the month with transactions	the special return: tax owed by those not normally registered
D307	upon the event	VAT adjustments — goods that change destination
D311	in the month with transactions	VAT collected during the period when the VAT code was cancelled
D107	annual, together with D101	beneficiaries of sponsorships, patronage, and scholarships
Financial statements	annual	balance sheet, income statement, notes

Deadlines are tied to the company's fiscal period, and this can change during the year — see chapter 35.

The organising principle is that returns are not independent. D394 covers the same reporting period as D300 and must reconcile to it, but has a distinct deadline: the 30th day, inclusive, of the month following the reporting period, or 28/29 February for January. D406 contains detailed data that must agree with the accounting and tax records. Annual financial statements reconcile to the final trial balance and the returns filed for the relevant periods.

> ***The declarations are different views of the same data. If they don't agree with each other, the declarations are not the problem — the accounting behind them is.***

The company's regime decides the list

Two companies with the same turnover can have completely different lists. Three choices, made once, determine almost everything.

WHAT EACH CHOICE CHANGES

The choice	If yes	If no
VAT payer	D300, D394, VAT ledgers	none of these
Has employees	D112 according to the applicable period and payment states	none
Micro or profit tax	quarterly D100 / annual D101	the other option

All three can change during the year, and the change produces declarative effects immediately, not starting next year.

The month's calendar

For an ordinary company, a VAT payer with employees, the month has a fixed rhythm. It's not complicated, but it is strict — and easier to keep as a list than as a memory.

First, the previous month's documents are closed and the bank statement is reconciled. Then adjustments are made. Then the trial balance is prepared. Only after the trial balance are the declarations generated — because they are composed from it. Finally, they are filed, the obligations are paid, and the evidence is archived.

The order is not a preference. A declaration generated before the trial balance will need correction afterward, and correcting an already-filed declaration costs more than a day's wait. Part nine of the book covers this order in detail.

The annual close

Besides the tax returns, the fiscal year ends with obligations that are not owed to ANAF and that are most often forgotten: the inventory register and inventory documents, financial statements filed on time, and the general meeting's resolution approving the statements and distributing profit.

The last point deserves emphasis for a business owner: dividends cannot be distributed without a shareholders' resolution, and the resolution cannot be adopted without approved financial statements. This order is legal, not accounting, and cannot be shortened.

> **FOR THE ACCOUNTANT**
>
> Filing deadlines derive from the Fiscal Procedure Code and the order governing each form; the 25th is common, not universal. D394, for example, is due on the 30th day of the following month, subject to the 28/29 February rule for January, while D406 and annual financial statements have their own calendars. Four practical points follow. First, non-filing and late filing are penalised separately from non-payment, and a filing obligation may exist even for zero amounts. Second, verify the correction route form by form: D112 permits an amended return; D394 is replaced with a correct return; D100 is corrected through D710; and D300 does not permit an amended VAT return, but uses a subsequent adjustment or the material-error procedure according to the cause. Third, the tax vector must reflect the actual situation and the taxpayer must update it; employees trigger D112, not automatically D205, which covers the income and withholding categories specified by its instructions. Fourth, tax liabilities are settled in the statutory order rather than according to the payer’s informal intention; reconcile the taxpayer account after filing and payment.

What comes next

A correctly prepared declaration is half of the obligation. The other half — and, in an audit, the part that matters — is proof that it was filed and received. That is the next chapter, and it is the shortest in the book.

Exercise 37.1 — what this company files

An SRL company, a micro-enterprise, registered for VAT purposes with a quarterly period, two employees, no intra-Community transactions.

List what it files in an ordinary month, what it files at the end of the quarter, and what it files annually.

SOLUTION

For salaries: D112 at the reporting period applicable to the firm - usually monthly, and quarterly only if special conditions are met. VAT remains quarterly and D390 does not apply because there are no intra-Community operations.

Trimestrial: D300 for quarter, D394 for the same period but at its distinct term and D100 for income tax on micro-enterprises. Plus D406 SAF-T, at the category's own term.

Annually: financial statements with annexes and the statement of responsibility, D205 if it withheld tax at source, the inventory register and inventory documents, the general meeting resolution approving and distributing results.

What it does NOT file: D101 — it is not a corporate income tax payer.

What would change everything: a single intra-Community acquisition of goods. From that very month, VAT becomes monthly, D390 appears, and the company's calendar changes entirely — without anyone having decided so.

The fiscal vector: what the state thinks you owe

There is a list of your declarative obligations kept not by you, but by the tax administration. It's called the fiscal vector, and it's the configuration according to which the system expects declarations from your company.

The consequence matters more than it seems: if the vector says you are a monthly VAT payer, the system expects a return every month — even if the company no longer has any activity. Not receiving it, it sends a notice. Conversely, if the vector doesn't contain an obligation you actually have, the absence of the declaration goes unflagged, but the obligation remains.

> ***The fiscal vector does not update itself. It is a declaration of mentions filed by the company — and between what you do and what the state thinks you do, there can be a gap that generates notices for years.***

How the list is derived, in practice

A well-built program does not keep a hand-written list of the company's declarations: it derives it from the company's profile. Three or four attributes decide almost everything, and the rest follows.

FROM PROFILE TO CALENDAR

The attribute	What triggers it
VAT payer + monthly period	D300 monthly; D394 for the same month at its deadline; D406 at the applicable deadline
VAT payer + quarterly period	D300 and D394 for quarter with distinct deadlines; D406 at the applicable deadline
has employees	D112 according to the applicable period and states of payment; does not generate D205
micro-enterprise	quarterly D100, on revenues
corporate income tax payer	D100 for advance payments, annual D101
intra-Community transactions in the month	D390 for that month
exceeding the Intrastat threshold	the statistical declaration, per flow

Deriving the list has an advantage a written list does not: it corrects itself when the company changes. A hand-kept list remains the one from two years ago.

What is paid, beyond what is declared

Filing and payment are two distinct obligations, with distinct sanctions. They can be fulfilled one without the other, in both directions — and the most unpleasant case is a declaration filed with the amount unpaid, because that's where late-payment charges accrue on a debt acknowledged in writing.

WHAT THE COMPANY FROM THE BOOK'S EXAMPLE ACTUALLY OWES, FOR THE MONTH OF JUNE

Account	Obligation	Amount
444	Income tax on wages	325,00
4315	CAS — social security contributions	1.250,00
4316	CASS — health insurance contributions	500,00
436	CAM — insurance contribution	112,50
	Total to be transferred by the 25th	**2.187,50**

The figures are not filled into a form: they are exactly the account balances from the trial balance. If they don't match D112, one of the two is wrong.

Declarations arising from a situation, not from a regime

The table at the beginning of the chapter is the usual list: what an ordinarily active company owes, month by month. There is, however, a second group, tied not to the tax regime but to circumstance. They are never filed — until the month in which they are.

The distinction matters for whoever keeps the records. The first list can be written into a calendar at the start of the year and followed mechanically. The second cannot: it is derived from the month's transactions, and if no one looks at the transactions, the obligation goes unnoticed. It is the only place in the tax calendar where the absence of a declaration doesn't prove it wasn't owed.

SITUATION-BASED DECLARATIONS

Declaration	The situation that gives rise to it	When
D301	the company is NOT normally registered for VAT purposes, but carries out a transaction that gives rise to tax: an intra-Community acquisition above the threshold, services received from the Union, a new means of transport	by the 25th of the month following the one in which the transaction occurred
D307	goods for which VAT was deducted change destination: transferred, scrapped, or the right of deduction is lost	by the 25th of the month following the event
D311	the company collected VAT during the period when its VAT code was cancelled — the tax is owed, even though the right of deduction does not exist	by the 25th of the following month
D107	the company granted sponsorships, private scholarships, or patronage: the state wants the list of beneficiaries, not just the amount	together with the annual tax declaration
D177	the company redirects to beneficiaries the portion of the sponsorship credit it did not use as a tax reduction	after the annual declaration, within the redirection deadline

D177 is not a payment declaration — the amount payable in it is zero. It is a request: the money leaves from the tax already owed, toward the entities named in the request.

> ***The first four arise from a transaction that the accounting records already contain. A program that keeps the records can propose them on its own; a person keeping the records must know they exist, otherwise they won't look for them.***

When the declaration is wrong

No filed declaration can be deleted. It can only be replaced or corrected, and how this is done depends on what kind of declaration it was — a distinction usually learned by getting it wrong once.

The procedure depends on the form. D394 and D112 D300 is the important exception: no amending statement is submitted for the same period. Operations omitted and other corrections provided for in the instructions fall into the ranks of regularisations of a subsequent statement and material errors strictly defined follow the application and decision of the tax body.

Declarations that establish payment obligations — D100 — are not rectified the same way. For them there is the D710 correction declaration, which states what amount was declared incorrectly and what the correct one is. The reason for the difference is that D100 doesn't describe transactions but creates a debt in the payer's record: the correction must reach that debt, not retell the month.

HOW EACH IS CORRECTED

The incorrect declaration	Is corrected with	What is filed
D300 — the VAT return	subsequent regularisation or material error procedure, after the cause	D300 amending for the same period
D394 — the informative return	rectifying D394	the whole informative return, redone
D112 — wages and contributions	rectifying D112	the whole declaration, redone
D100 — payment obligations	D710 — correction declaration	only the affected obligation: the amount declared and the correct amount
D101, D205, D107 — annual	the same declaration, rectifying	the whole declaration, redone

> ***Rectifier, D710, regularization D300 and application for material error correction are different procedures. The form and the cause of the error decide the way; the generic term "amending" is not sufficient.***

The practical rule for both: the correction is made after the bookkeeping has been clarified, not instead of it. An amending return filed on top of a trial balance that is still unresolved will itself need correcting, and a string of amendments for the same month is the first thing an inspector will notice.

Obligations that accompany the goods, not the bookkeeping

All the returns discussed so far describe what was recorded. But there are two obligations that don't concern the recording itself, but the goods themselves: one is fulfilled before a truck departs, the other statistically reports the movement of goods across the border.

Neither is a tax return in the usual sense — the first doesn't establish any amount, the second isn't even filed with ANAF — and that's exactly why they get overlooked.

e-Transport is the system through which the state tracks the transport of goods. Before the goods are set in motion, the transport must be declared and receives a unique code, which must accompany the goods along the way. The key word is "before": a code obtained after the truck has left fixes nothing, and roadside checks happen on the road, not in the bookkeeping.

In practice, the declaration is made from the delivery note — the document that is drawn up anyway when goods leave — plus data that isn't found in the bookkeeping: the vehicle, the route, who organizes the transport. Software that already has the delivery note can prepare the rest; what it can't do for you is know the license plate number.

Intrastat is something else, though it concerns the same goods. It's a statistical return, filed with the National Institute of Statistics, not with ANAF, and it establishes no tax. It becomes mandatory when the company exceeds an annual threshold, calculated separately for each direction: one for what comes in from the Union, another for what goes out. You can be obligated on one direction and free on the other.

TWO OBLIGATIONS ABOUT GOODS, NOT ABOUT AMOUNTS

	e-Transport	**Intrastat**
To whom	ANAF	National Institute of Statistics
When	before the goods are set in motion	monthly, as long as you're above the threshold
What triggers it	the transport of tracked goods	exceeding the annual threshold, on each direction separately
What it produces	a code that accompanies the goods	a statistical report, with no amount due
Where it's taken from	the delivery note + transport data	intra-Community supplies and acquisitions of goods

Intrastat thresholds are set by INS order and are checked for each direction separately; they don't depend on the company's VAT regime.

> ***Intrastat counts goods, D390 declares transactions. They're calculated from the same invoices, but they can't substitute for one another: one goes to statistics, the other to the tax authority.***

It's also worth highlighting the difference from intra-Community services: they're included in D390, but not in Intrastat, because nothing physically crosses the border. This is the most common confusion between the two — and it's immediately obvious, because the totals never match.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
completeness of the filing calendar and accuracy of every return	tax vector, source registers, forms, validations and calendar	reconcile each obligation to its source and verify the form version, period and deadline	return generated from a provisional trial balance or obsolete form

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The list of returns is derived from the company's regime and activity — it's not the same for everyone.
- Returns are different views of the same data: if they don't agree with each other, the bookkeeping is at fault.
- Three choices decide almost everything: VAT payer status, having employees, micro-enterprise or corporate income tax.
- The order of the month is fixed: documents, bank statement, adjustments, trial balance, then returns — never the reverse.
- Zero-value returns are not optional; the penalty for non-filing applies regardless of the amount.
- Dividends require a shareholders' resolution, and the resolution requires approved financial statements.
- Besides the monthly list there are situational returns — D301, D307, D311, D107 — which are never filed, until the month in which they are.
- An amending return replaces the entire return; D710 corrects a single payment obligation. They are not interchangeable.
- e-Transport is done BEFORE the goods leave; Intrastat is statistical, filed with INS, and establishes no amount.

Chapter 38

Filing and Proof

This chapter is short because it has a single idea, and that idea matters more than its length: the document that counts is not the declaration, but the confirmation that it was received.

A perfectly prepared declaration, saved on the accountant's computer, has no legal value whatsoever. A declaration with a mistake, submitted and confirmed, exists. The first is penalized as not having been filed; the second is corrected.

The Receipt

When filing electronically, the system returns a confirmation file — the receipt. It contains the submission identifier, the exact timestamp, and the status: accepted or rejected.

The receipt is the only proof that the obligation was fulfilled. Not the screen display, not the email from the software, not the fact that the button was pressed. During an inspection, the question is "show the receipt," and the answer "I did file it, I'm sure" carries no weight.

> ***Without a receipt, a declaration is an intention. With a receipt, it is a fact. The distinction is the same as between a draft and a published article, from chapter 29.***

From this, a simple practical rule follows: the receipt is downloaded and archived in the same folder as the declaration, immediately, not "when it's needed." Two years later, retrieving it from the tax system is possible, but not always convenient — and an inspection does not wait.

The Three States

An electronic submission does not have two possible outcomes, but three, and confusing the first two is the source of the most unpleasant surprises.

WHAT A SUBMISSION CAN RETURN

Status	What it means	What you do
Accepted	the declaration went through, the obligation is fulfilled	you archive the receipt
Rejected	validation failed — the declaration does NOT exist	you correct it and resubmit, within the deadline
No response	the submission was not completed	you verify; you do NOT assume it went through
Accepted with errors	it went through, but flagged discrepancies exist	you analyze it; it may require a corrective declaration

The third state is the dangerous one: on screen, the absence of a response looks almost the same as a success.

The third row deserves emphasis. A submission that was not completed — interrupted connection, expired session, certificate not uploaded — produces no error message to the taxpayer in many situations. The company only finds out when a payment notice arrives, months later, with late-payment increases having accrued in the meantime.

The rule, for any system that files automatically: "could not verify" does not mean "it's fine." A program that reports a submission as successful simply because it did not receive an error makes exactly the mistake an experienced accountant avoids.

Who Signs

Electronic filing is done using a qualified digital certificate, previously registered with the tax administration for that particular company. The certificate belongs to an individual — the administrator, the accountant, or the authorized representative — not to the company.

The practical consequence is usually discovered at the worst possible moment: if the person holding the certificate leaves and the power of attorney has not been updated, the company can no longer file anything until the formalities are redone. It is worth checking before the deadline, not on the day of it.

The Virtual Private Space (SPV)

Communication with the tax administration is no longer optionally electronic: companies are required to enroll in the Virtual Private Space (Spațiul Privat Virtual, SPV), and administrative acts are communicated through it.

The consequence is more important than it seems. An act communicated through this channel is considered communicated, and appeal deadlines run from that moment — regardless of whether anyone opened the message. An unread electronic mailbox produces the same effects as a refused registered letter.

That is why periodic checking is not an administrative formality, but a protective measure. It naturally fits into the monthly rhythm from chapter 37, alongside the filing itself.

> **FOR THE ACCOUNTANT**
>
> Filing by electronic remote transmission means is regulated by the Fiscal Procedure Code and by the orders approving the enrollment and use procedure for the Virtual Private Space (SPV), and communication of fiscal administrative acts through this channel takes effect from the date they are made available. Four practical observations. First: the receipt must be kept together with the declaration for the entire duration of the statute-of-limitations period for establishing tax claims, not just for the current fiscal year; a file of declarations without receipts is, practically speaking, an empty file. Second: the "accepted with errors" status does not suspend the effects of the filing, but the flagged errors typically resurface in subsequent discrepancy notifications — addressing them at the time of filing is much cheaper than responding to a notification later. Third: for declarations with their own validation regime, D406 among them, rejection may occur at a point after transmission, so the receipt confirmation does not equate to acceptance; checking the final status is a separate step that must be done explicitly. Fourth: the power of attorney for filing is granted and revoked through a dedicated form, and its validity must be tracked independently from the validity of the digital certificate — the two expire on different dates, and the company discovers the absence of one of them exactly on the day of the deadline.

What Comes Next

With this chapter, Part Eight closes. The company has calculated its obligations, has declared them, and has proof that it declared them.

Next comes the part about the moment when the month or year becomes final: closing. There, the order of steps matters more than anywhere else, and skipping one only becomes apparent months later.

Exercise 38.1 — what you actually have

During an inspection, proof of D300 filing is requested for three months. The accountant has: for the first month, the XML file and a screenshot with the message "submitted"; for the second, the downloaded receipt; for the third, nothing — but recalls having filed it.

What is accepted?

SOLUTION

First month: the XML file proves the declaration was prepared, not that it was received. The screenshot is not proof — it does not carry the authority's signature and does not identify the submission. It can be reconstructed by checking the status in the virtual space, but without the receipt, the situation is "unproven."

Second month: the receipt is the proof. Here everything is in order.

Third: recollection is not proof. If the submission existed, it can be found in the authority's records; if not, the obligation is unfulfilled, and the fine accrues regardless of the fact that the amount was paid.

The rule, stated once and for all: the receipt is downloaded and archived IMMEDIATELY, in the same folder as the declaration. Not "when it's needed" — that's exactly the moment when you no longer have time to look for it.

What Is Kept, and For How Long

The receipt is not useful on the day of filing — at that point everyone already knows it was filed. It is useful years later, and that determines its retention regime: it is archived together with the declaration, for the entire period during which the authority may still establish obligations for that period.

THE FILE OF A SUBMISSION

What is kept	What it is for
the filed file	shows WHAT was declared
the receipt	shows THAT it was received, and when
the trial balance it was built on	shows WHAT it resulted from
the month's adjustment entries	shows the reasoning that isn't visible in the figures

The first two are downloaded on the day of filing. The last two already exist — they just need to be placed in the same location.

The order in the table is also the order in which an inspector will ask for them: first what you declared, then proof that you declared it, then where the figure comes from. A file containing only the first two answers the compliance question and leaves the substantive one open.

Corrective Filing: What Can Be Done, and Until When

A wrongly filed declaration is corrected through a corrective declaration. The mechanism seems simple and has three subtleties that, together, produce most of the problems.

THREE THINGS TO KNOW ABOUT CORRECTIVE FILINGS

Aspect	What needs to be known
form	some declarations are corrected in full, not by the difference
the practical deadline	correction is no longer possible once an inspection has begun for that period
the effect	corrects the declaration, NOT the payment — late-payment charges accrue from the original deadline

The first row is the one that produces duplicate amounts: a corrective declaration resubmitted as a difference, where the form requires the total, adds to it instead of replacing it.

The second row changes how errors discovered late should be viewed: the legal correction deadline is long, but the practical one closes on the day the inspection notice arrives. That's why a known error should not be postponed — it is corrected while the correction is still within the company's control, not the inspection's.

> ***The receipt proves that you filed. It does not prove that you filed CORRECTLY — nor that you paid. These are three distinct obligations, with three distinct proofs.***

Two Paths, Not One

It's easy to believe the Virtual Private Space is a single-window service. In practice there are two different paths, with different responses, and confusing them means looking for proof where it isn't.

Tax declarations are validated and filed as a file, and the proof is the receipt described above. Electronic invoices go a different route: they are uploaded one by one, receive a registration number, and the response comes later — either the sealed invoice or the errors. There is no filing receipt for an invoice, and no upload number for a tax return.

WHAT PROVES WHAT

What you sent	What you get back	What you keep as proof
A tax declaration	the receipt, with the registration number	the filed declaration + the receipt, together
An electronic invoice	the upload number, then the sealed invoice or the errors	the sealed file — not just the number
A transport declaration	the code accompanying the goods	the code, attached to the accompanying document

The second thing that gets forgotten: messages do not stay there forever. The space is a communication channel, not an archive — documents must be downloaded and kept with you, along with the rest of the month's file. A company that relies on the fact that "they're in the SPV anyway" discovers their absence exactly when it needs them.

> ***The Virtual Private Space is the mailbox, not the archive. What arrives there must be downloaded and put in the file; otherwise the proof lives on a server that isn't yours.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
proof of valid filing and follow-up of authority messages	signed file, submission index, receipt, errors, resubmission and confirmation	follow each filing through to a valid receipt and reconcile the accepted version	uploaded file treated as filed despite a missing receipt or unresolved errors

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The document that counts is not the declaration, but the receipt — the confirmation that it was received.
- An unfiled declaration is penalized as such, however correct it may be; one filed with an error is corrected.
- Filing has four possible outcomes, and the dangerous one is the absence of any response: it looks almost like a success.
- "Could not verify" does not mean "it's fine" — not for a person, and not for a program.
- The digital certificate belongs to a person, not to the company; the power of attorney and the certificate expire on different dates.
- Acts communicated through the Virtual Private Space are considered communicated, and deadlines run even if no one opened the message.
- The Virtual Private Space is the mailbox, not the archive: what arrives there must be downloaded and kept by you.

Chapter 39

Closing the month, step by step

Closing the month is not an operation, but a sequence. Everything that makes it up has already been described in the previous chapters — the documents, the bank statement, the adjustments, the VAT, the declarations. What is added here is their order, and it matters more than it seems.

The reason is simple: each step relies on the one before it. A step taken too early will have to be redone, and redoing it always costs more than waiting.

The six steps

THE ORDER OF MONTHLY CLOSING

Step	What it means	What it blocks if missing
1. Complete documents	all of the month's documents are recorded and posted	everything that follows
2. Bank statement reconciled	receipts and payments are recorded and matched	VAT on collection, the payment schedule
3. VAT adjusted	the adjustment entry is posted and covers the month	the VAT return
4. Declarations validated and filed	each declaration is validated and has a confirmation receipt	approval
5. Approval	someone explicitly takes responsibility that the month is correct	locking
6. Period locked	the month becomes read-only	nothing — it's the last one

A step cannot be worked on before the previous one. Not as an administrative rule, but because it lacks the data.

It's worth noting that the first three steps produce records, the fourth produces documents for the state, and the last two produce nothing: they are acts of accountability. Closing is not an accounting operation, but a decision about accounting already done.

Why the order is not negotiable

The most frequent temptation is generating declarations before the documents are complete — usually because the deadline is approaching. The consequence is predictable: an invoice arriving in the meantime changes the VAT return, and the declaration already filed must be corrected.

The second temptation is reconciling the bank statement after the VAT adjustment. For a company using VAT on collection, this order is simply wrong: chargeability depends on payments, so an adjustment made before reconciliation works with incomplete data.

> ***Every skipped step is paid for later, with interest. A step done on time costs minutes; the same step redone after filing costs an amended return.***

The four states of a step

In a well-built flow, a step doesn't just have "done" and "not done." It has four states, and the distinction between them is what turns a list into a tool.

WHAT A STEP CAN BE

State	What it says	What you do
done	nothing left to resolve	move on
open	it's its turn, but it has something unfinished	resolve what's listed
blocked	waiting on a previous step	don't work on it yet
not applicable	has no relevance for this company	ignore it — it's not a gap

The last state matters: for a company not registered for VAT, step 3 is not "not done," but has no object. Confusing them produces permanent alarms.

The distinction between "blocked" and "open" is what changes the way of working. A blocked step is not an outstanding task, but one that hasn't started yet — and a system that displays them the same way produces a list of ten things to do where, in fact, there is only one.

Who is responsible for each step

In a small business, the same person does all the steps. In one with a team, they get divided — and then a question arises that isn't accounting-related: who exactly is responsible for each, and by when.

It's worth recording, since it's the only information in the whole flow that cannot be deduced from the data. What has been recorded can be seen in the accounting; who was supposed to handle it and by what date is nowhere visible if no one writes it down.

It's a general observation about any workflow: only what cannot be deduced needs to be persisted. The rest is read from the data, each time, fresh — and the next chapter shows why.

FOR THE ACCOUNTANT

The sequence above follows dependencies between tasks rather than one specific rule, but supports distinct legal obligations: preparing a trial balance at least monthly, preparing and filing returns on time, and retaining documents that evidence transactions. Three practical points follow. First, perform cross-checks — VAT journals to movements in accounts 4426 and 4427, payroll accounts to D112, and third-party balances to receivable/payable schedules — between steps 3 and 4, not after filing. A late cross-check requires the correction procedure specific to the form, and D300 does not accept an ordinary amended return. Second, for companies using the cash-accounting VAT scheme, bank matching is a substantive input to chargeability, not merely a cash control; step 2 must therefore precede step 3. Third, assemble the monthly file — trial balance, journals, returns and receipts, adjustment entries and approval decisions — at closing rather than reconstructing it during an inspection. Later reconstruction tends to omit precisely the evidence that should have supported the judgments.

What comes next

A question remains that the flow above raises without answering: how does anyone know a step is done? The usual answer — because I checked it off — is the wrong one, and the next chapter explains why.

Exercise 39.1 — what's blocked and what's open

On the 14th of the month, the status of the previous month's closing shows: documents complete, the bank statement recorded but not reconciled, no VAT adjustment entry, declarations not generated, month not approved.

What state is each of the six steps in, and what is being worked on now?

SOLUTION

Step 1 (documents): DONE.

Step 2 (bank statement reconciled): OPEN — it's its turn, and the blockage is explicit: there are still unmatched transactions.

Step 3 (VAT adjusted): BLOCKED by step 2. It's not an outstanding task, it's one that hasn't started. For a company using VAT on collection, an adjustment made before reconciliation would work with incomplete data.

Step 4 (declarations): BLOCKED by 3. Step 5 (approval): BLOCKED by 4. Step 6 (locking): BLOCKED by 5.

Only ONE thing is being worked on: the reconciliation. A system that showed five outstanding tasks instead of one would turn a useful list into noise no one reads anymore.

If the company were not VAT-registered, step 3 would not be "not done," but WITHOUT OBJECT — the fourth state, which must not be confused with the other three.

What it looks like on a screen

The flow is not a checklist, but a state read from the data. Here is June for the example company, as the application sees it on July 14 — with the blockages spelled out, not just a traffic light.

CLOSING JUNE, ON JULY 14

Step	State	Why
1. Complete documents	open	an invoice issued during the month, not yet submitted to SPV
2. Bank statement reconciled	done	—
3. VAT adjusted	blocked	the adjustment entry is not posted
4. Declarations filed	blocked	D300 not filed, deadline July 25
5. Approval	blocked	the month is not approved yet
6. Period locked	blocked	the period is still open

Progress: 1 step out of 6. Only ONE thing is being worked on — the first open one. The other four are not outstanding tasks, but tasks that haven't started.

It's worth noting what each blockage says: not "not ready," but exactly what's missing and, where relevant, by when. A flow that showed six red lights would be a dashboard; one that says "an invoice not submitted to SPV" is a work list.

The second row is just as instructive: the bank statement is "done," even though the month isn't closed. A step's state doesn't depend on the month's state — it's derived from its own data, independently. That's why a step can revert from "done" to "open" without anyone touching it, if a new document arrives.

Who is responsible and by when

In a small business, the same person does all six steps, and the question doesn't arise. In one with a team, it becomes the main source of delay: everyone thinks the next step belongs to someone else.

The person responsible and the internal deadline are the only information in the whole flow that cannot be deduced from the data — there is nowhere in the accounting that shows who was supposed to handle it. That's why they are recorded, while the rest is not: it's the same rule as in the next chapter, memorize the decisions and recalculate the facts.

Internal deadlines are usually anchored to the legal one: if the declaration is filed on the 25th, the bank reconciliation has an internal deadline on the 8th, and the trial balance on the 15th. Anchoring serves a practical purpose — when the legal deadline shifts, everything else shifts too, without anyone redoing the calculation.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
compliance with dependencies and completeness of the monthly close	calendar, checklist, reconciliations, returns, approvals and statuses	select one month and reperform the sequence through locking, including exceptions	returns filed before documents and reconciliations are complete

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Closing the month is a sequence, not an operation: six steps, each supported by the one before it.
- The first three produce records, the fourth produces documents for the state, the last two are acts of accountability.
- Declarations generated before documents are complete will need correcting — it's the most frequent temptation and the most expensive.
- For companies using VAT on collection, bank reconciliation necessarily precedes the VAT adjustment.
- A step has four states, not two: done, open, blocked, and without object — confusing the last ones produces false alarms.
- Only what cannot be deduced from the data is recorded: the person responsible, the deadline, the note, the approval.

Chapter 40

Status is derived from data, not checked off

This chapter is about a design decision that looks technical but is, in fact, a matter of accounting truth. The question is how a system — or a person — knows that a closing step is finished.

There are two possible answers, and the difference between them is bigger than it seems.

The checkbox and derivation

TWO WAYS OF KNOWING

Method	How it works	What happens when the data changes
Manual checkbox	someone declares the step finished	the checkbox stays checked — but it's no longer true
Derived status	it's recalculated from the data every time it's viewed	the status changes along with the data

The first is more convenient and faster. The second is the only one that cannot lie.

A checkbox is a statement about a moment in the past: at that time, that thing was done. The problem is that the statement has no expiration date, while the reality underneath it keeps changing.

> ***A manual checkbox remains true even after the data beneath it has become false. A closing workflow that lies is worse than having none at all.***

What the lie looks like, concretely

Three common situations, all encountered at any company.

The bank statement was reconciled on the 5th of the month and checked as finished. On the 7th, an old invoice arrives, gets recorded, and one of the payments already reconciled turns out to be for it. The reconciliation is no longer complete — but the checkbox is still there, green.

The tax return was filed and checked off. An error is then discovered, an amended return is filed, but someone forgets to update the status. The system shows "filed" — which is true, but is no longer the relevant information.

The documents were declared complete. A week later, three more invoices from the same month are recorded. The checkbox doesn't turn back on, because nothing is tracking it.

How derivation works instead

A derived status is not remembered: it is calculated, every time it is viewed, from the data existing at that moment.

THE SAME STEPS, ASKED DIFFERENTLY

Step	The question posed to the data
Complete documents	are there still drafts or documents without a vendor for this month?
Statement reconciled	are there still unmatched cash transactions?
VAT settled	does the settlement entry exist and does it cover all of the month's transactions?
Returns filed	does every expected return have proof of filing?

None of the questions refer to what someone did. All of them refer to what is now.

The practical advantage is that the status corrects itself. The three situations above — the late invoice, the amended return, the documents added later — automatically make the step open again, without anyone having to remember.

What is still persisted

The principle doesn't mean nothing gets written down. It means that only what cannot be deduced gets written down — and those things are few and of a different nature.

Who is responsible for a step. Until when. What was observed along the way. Who approved the month and when. Whether closing was forced past an unfinished step, and for what reason. All of these are human decisions: they exist nowhere in the data, so they must be recorded.

The distinction is worth keeping in mind beyond accounting. In a well-built system, decisions are remembered and facts are recalculated. Whoever remembers the facts will sooner or later end up with two versions of the same truth.

FOR THE ACCOUNTANT

The principle has a direct counterpart in the internal control requirements of accounting regulations: procedures must ensure that the reported information reflects the actual situation as of the reporting date, and key controls must be repeatable and documented. Three consequences. First: a manually completed checklist does not, in itself, constitute proof that the control was performed — the proof is the result of the control, i.e. the document or report showing what was compared and what the outcome was; the auditor asks for the latter, not the former. Second: for closings already approved, the ability to reconstruct the status as of the approval date is distinct from the current status, and the two must be able to coexist — a report recalculated today on data modified in the meantime does not prove what was approved then, which is why period locking, covered in the next chapter, is the necessary complement of derivation. Third: elements that cannot be deduced — responsibilities, internal deadlines, professional judgments, the reasons for overrides — are part of the closing documentation and belong in the period's file; their absence turns any later reconstruction into a reconstruction from memory.

What comes next

Derivation solves the problem of the status that lies. But it raises another one: if everything is always recalculated, what exactly makes a closed month stay closed? The answer is the next chapter.

Exercise 40.1 — the checkbox that lies

On the 5th of the month, the bank reconciliation is finished and someone checks the step as done. On the 7th, an old invoice arrives from a vendor; it gets recorded, and one of the payments already reconciled turns out to be for it.

(a) What does the checkbox show? (b) What would a derived status show? (c) What would happen if no one notices?

SOLUTION

(a) The checkbox still shows green. It was true on the 5th and has no way of knowing that the data beneath it has changed.

(b) A derived status recalculates, every time it is viewed, the answer to the question "are there still unmatched cash transactions?". On the 7th, the answer becomes yes, and the step reopens on its own.

(c) The month is closed with an incomplete reconciliation. The consequence isn't immediately visible: it shows up when the next month's reconciliation doesn't balance, or in the aging report, where the vendor appears with a liability already paid.

The principle, valid beyond accounting: remember DECISIONS (who is responsible, who approved, why it was forced) and recalculate FACTS. Whoever remembers the facts will sooner or later end up with two versions of the same truth.

How to write a status that cannot lie

The difference between a checkbox and a derived status is clearest in how each one is written. A checkbox is a stored value: "step 2 = finished". A derived status is a question posed to the data, every time.

THE SAME INFORMATION, TWO IMPLEMENTATIONS

	Checkbox	Derived status
What is stored	"finished", with a date	nothing
When it changes	when someone changes it	when the data changes
The cost of a read	zero	a query
What happens with a new document	nothing	the step reopens
What happens when restoring a backup	stays as it was	recalculates correctly

The last row is the deciding one: after a restore, checkboxes describe a reality that no longer exists, while derived statuses fix themselves.

The price is a query on every read, and it does get paid: for a company with tens of thousands of records, the question "are there still unrecorded documents this month?" isn't free. The usual compromise is caching the result for a few seconds, not forever — a cache that expires on its own can't lag behind reality by more than its interval.

Where the rule applies, beyond closing

Once stated, the rule is recognizable in many places, and accounting is full of them.

WHAT IS DERIVED AND WHAT IS PERSISTED, IN THE APPLICATION

Is DERIVED (facts)	Is PERSISTED (decisions)
the balance of an account	the choice of inventory valuation method
whether a return is due	proof that it was filed (the receipt)
whether a receivable is overdue	the determination that it is doubtful
whether the month can be closed	the approval to close
how much the month's depreciation is	the useful life chosen from the schedule

The column on the left is recalculated. The one on the right cannot be recalculated, because it doesn't follow from data — it follows from a person.

> ***The test that separates them: if you delete the value and can rebuild it exactly from the data, it's a fact and must be derived. If you can't rebuild it, it's a decision and must be kept — along with who made it and when.***

Applied to accounting, the test also explains why the month's file contains written notes, not just numbers: numbers can be recalculated anytime, judgments cannot. An allowance for receivables can be rebuilt from data; the reason the receivable was considered doubtful cannot.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
objective derivation of each workflow status from source data	status rules, source reports, exceptions and calculation log	recompute sample statuses and test the return from ready to open	manually checked status even though source data show unresolved items

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- A checkbox is a statement about the past; the data beneath it keeps changing, and the checkbox never finds out.
- Derived status is recalculated on every view, so it cannot lag behind reality.
- Three common situations make any checkbox false: the late invoice, the amended return, documents added afterward.
- A derived step reopens on its own, without anyone having to remember it.
- Only human decisions are recorded: responsible party, deadline, note, approval, reason for the override.
- The general rule: remember decisions, recalculate facts.

Chapter 41

Locking the period

A closed month is a reported month. Its trial balance underpinned filed returns, and those returns produced payments, receipts and, potentially, an inspection. From that point on, the month no longer belongs to the company: it's a public statement.

Period locking is the mechanism that makes the statement stable. After it, nothing can be recorded, modified, or deleted in that month.

Why discipline isn't enough

The natural objection of any experienced accountant is that nobody intentionally touches a closed month. That's true, and irrelevant: the problem isn't intent, it's accident.

An invoice with a wrongly typed date — 2026-05-30 instead of 2026-06-30 — slips into last month without anyone noticing. A correction made "to make it balance" in an old month seems harmless. An import of documents with old dates rewrites an entire period.

None of these is bad faith. All of them produce the same result: May's trial balance is no longer the one on which May's VAT return was filed, and the difference is discovered at the earliest during an inspection.

> ***A locked period doesn't protect bookkeeping from bad people. It protects it from ordinary mistakes, which would otherwise be discovered as late as possible.***

What happens to a necessary correction

Locking doesn't forbid corrections — that would be absurd. It moves them in time: an error in a closed month is corrected through a reversal entry dated in an open month — exactly the procedure from chapter 29.

The result is that the closed month remains as it was reported, and the correction appears where it can be seen and explained. Anyone reading both months sees both the error and the fix — which is more than they would have seen if the figure had simply been changed.

It's the same logic as reversal entries, applied at the scale of the period: nothing is erased, it's written alongside.

Forcing

There are situations where closing must be done over an unfinished step: a return that couldn't be filed due to technical reasons, a statement that hasn't arrived, a deadline that can no longer be postponed.

A system that completely forbids forcing will be bypassed — through direct database writes, parallel files, "I'll handle it another way." A system that allows it without a trace is as good as having no control at all. The solution is a third path: it's allowed, but at a cost.

WHAT FORCING REQUIRES

Requirement	Why
administrator rights	the decision exceeds the level of execution
written reason	six months later, nobody remembers
permanent record	it stays in the month's file, it isn't deleted

The three together make forcing possible, but never comfortable — exactly the balance needed.

The written reason is the requirement that matters most, and not for control purposes. It's for whoever reads it a year later — often the same person who wrote it — who will need to understand why that month looks the way it does.

When to lock

Good practice is to lock immediately after the month's returns are filed, not at year-end. The reason is that the window between filing and locking is exactly the interval in which accidental changes can slip in.

A company that locks monthly has, at any moment, only one open month. One that locks annually has twelve — and a date error lands somewhere among them without hitting anything.

FOR THE ACCOUNTANT

The prohibition on modifying entries related to reported periods derives from the accounting law's requirements regarding the intangibility of records and the correction of errors through new entries, as well as from the IT system audit requirements, which demand that data cannot be altered retroactively without a trace. Four observations. First: locking must also cover indirect operations — imports, automatic generations, depreciation or inventory recalculations — not just manual entry; a guard applied only to the entry form leaves open exactly the channels through which mass modifications occur. Second: for corrections related to prior periods, the distinction from chapter 29 applies between insignificant errors, corrected against current results, and significant errors, corrected against retained earnings; period locking doesn't change the accounting treatment, only the place where the correction is recorded. Third: reconstructing a trial balance for a closed period must yield the same result as the original listing — this verification, performed by sampling once a year, is the only control that actually proves locking works. Fourth: the reasons for forcings and the list of reopened periods, if the procedure allows it, are part of the documentation made available to the auditor or inspection; an undocumented reopening is, from a control perspective, equivalent to the complete absence of internal control over the period.

What comes next

With locking, the month becomes final. The same logic applies, at a different scale and with its own operations, to the entire fiscal year — and there something happens that has never happened in any month: revenue and expense accounts disappear.

Exercise 41.1 — the wrongly typed date

On July 8, an operator enters an invoice and types the date 2026-06-30 instead of 2026-07-30. June is closed and reported.

(a) What does a system with locked periods do? (b) What would have happened without locking? (c) What if the invoice really was from June?

SOLUTION

(a) It refuses the entry and explains why: the period is closed. The operator corrects the date on the spot, in two seconds.

(b) The invoice would have entered June. June's trial balance would no longer be the one on which the VAT return was filed, and the difference would be discovered at the earliest during an inspection — or never.

(c) Then this is not a typing error but a late document. It is recorded in July, while its effect on VAT and profit is handled through the applicable procedure: an adjustment in a subsequent D300 return, where that is the prescribed route, or an amended return for forms that permit one. What must NOT be done is to reopen June merely to make the figures look tidy.

What the exercise shows: locking doesn't protect against bad faith — it protects against a wrongly pressed key, i.e., the case that actually happens. And if reopening is nevertheless necessary, it requires administrator rights, a written reason, and a permanent record: possible, but never comfortable.

What "locked" means, technically

Locking isn't a label placed on a month, it's a guard that stands between any write operation and the database. The difference shows in what exactly it stops.

WHAT THE GUARD MUST CATCH

Write path	Caught?	Why it matters
manual entry of a line item	yes	the obvious case
posting an older draft	yes	a draft can be composed anytime, entry into the record cannot
importing a file with old dates	yes	this is where mass modifications occur
automatic generation (depreciation, recurring items)	yes	otherwise a job rewrites a reported month
deleting a posted line item	yes	forbidden anyway, but with a different message

A guard placed only on the entry form leaves open exactly the channels through which many things change at once.

Verifying that the guard covers all paths isn't done by reading the code, but by trying: a locked month must refuse each of the five, with messages explaining why. It's the kind of property that's proven by testing, not by intent.

Correction of errors from prior periods

Locking moves the correction in time, but doesn't decide where it's recorded. That depends on a separate accounting criterion: how large the error is relative to the financial statements.

WHERE THE CORRECTION IS RECORDED

The error	Is corrected against	The effect
insignificant, from the current period	revenue and expense accounts	enters the current result
insignificant, from prior periods	revenue and expense accounts	also enters the current result
SIGNIFICANT, from prior periods	retained earnings (1174)	does NOT affect the current result

The third row exists so that the current year isn't distorted by last year's error — and the materiality threshold is set by the company and put in writing, as in chapter 28.

The tax consequence deserves separate mention: a correction that goes through retained earnings doesn't change the current year's accounting result, but may change the taxable base of the corrected year — thus triggering an amended return for that year. The two records are corrected via different paths, and forgetting the tax one leaves a discrepancy that gets discovered during an audit.

> ***Period locking establishes WHEN the correction is recorded. The materiality of the error establishes WHERE. These are two separate questions, and both require an answer.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
integrity of locked periods and control over reopening	permissions, logs, approvals, reasons and before/after outputs	inspect every subsequent posting and its propagation to returns and reports	informal reopening, or changes after filing without the required correction

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- A closed month is a public statement: it underpinned filed returns.
- Locking doesn't protect against bad faith, but against accidents — the wrongly typed date, the import with old dates, the correction "to make it balance."
- Corrections aren't forbidden, they're moved: reversal in an open month, as in chapter 29.
- Forcing must be possible, but never comfortable: administrator rights, written reason, permanent record.
- The written reason is for whoever reads it a year later, not for control purposes.
- Lock monthly, immediately after filing: a single open month instead of twelve.

Chapter 42

Closing the Year

Twelve closed months do not make a closed year. At the end of the fiscal year an operation takes place that has no counterpart in any month: the revenue and expense accounts are extinguished, and their balance is gathered into a single account.

The operation is called closing the result accounts, and understanding it clarifies a question many business owners ask without ever getting a clear answer: where exactly does it say how much the company earned.

Why the result accounts disappear

The accounts in classes 6 and 7 measure an interval, not a state. Account 607 doesn't say "I have 8,000 lei worth of goods," but "during this period I gave out 8,000 lei worth of goods." These are flow accounts, and the flow belongs to the fiscal year that is ending.

On January 1, measurement must start from zero — otherwise expenses would accumulate indefinitely, and the third year's result would also contain the first two. Emptying them is not a formality: it is the condition for the following fiscal year to mean anything.

> ***Balance sheet accounts carry over across years; result accounts, never. A balance remaining in a class 6 or 7 account on January 1 is always an unperformed closing.***

How it's done

All revenue accounts are debited with their balance, and account 121 Profit or Loss is credited. All expense accounts are credited with their balance, and 121 is debited. In the end, the only thing that remains is the balance of account 121.

CLOSING, FOR A PROFITABLE YEAR

Operation	Debit	Credit	Effect
Closing revenues	7xx	121	121 receives the total revenues
Closing expenses	121	6xx	121 loses the total expenses
The result			the balance remaining in 121

A credit balance in 121 = profit. A debit balance = loss. It is the only account in the chart of accounts whose meaning reads exactly opposite to how the names of the surrounding accounts sound.

A concrete example: revenues of 500,000 lei, expenses of 420,000. After closing, account 121 has a credit balance of 80,000 lei. This is the figure that appears in the income statement as the gross result for the fiscal year.

The tax, which comes afterward

The order here is often confusing, because it appears circular: corporate income tax is an expense, so it should be closed into 121; but it is calculated based on the result, which is obtained precisely from 121.

The actual order has three stages. First, all revenue and expense accounts are closed, except for the tax account. This yields the gross result. Based on it, the tax is calculated and recorded, and then the tax account is also closed into 121.

What remains in 121 after the third stage is the net result — the profit that can actually be distributed. In the example above, with a tax of 13,280 lei, the net result is 66,720.

What is NOT closed

This is worth stating explicitly, because it is the mistake that empties reports: only the accounts in classes 6 and 7 are closed. All others — assets, liabilities, equity — keep their balance and carry over into the following year as opening balances.

Account 371 keeps the merchandise in the warehouse. Account 401 keeps the payables to suppliers. Account 5121 keeps the money. A closing that touched them would wipe out the company's assets, not its result.

The practical consequence, for anyone reading reports: after the annual closing, any report built on the turnover of the closed year's result accounts shows zero. Not because the activity has disappeared, but because it has been moved into 121. This is why financial statements are prepared on the trial balance BEFORE closing.

FOR THE ACCOUNTANT

The operation is required by accounting regulations, which provide that at the end of the fiscal year the balances of the revenue and expense accounts are transferred to the profit and loss account. Four practical observations. First: two distinct trial balances are used — the one before the closing operations, on which the income statement and notes are prepared, and the one after, which serves the balance sheet; using the second one for the result account produces a form that is entirely zero, and the error goes unnoticed because the balance sheet comes out correct. Second: account 121 is not settled at the closing of the fiscal year, but keeps the result until its distribution, in the following fiscal year, after the financial statements are approved — its balance on January 1 is normal, unlike that of accounts 6 and 7. Third: the corporate income tax expense is determined based on the taxable result, not the accounting result, and its recording changes the net result without changing the taxable base; the correct order is closing the result accounts, determining the tax, recording it, and only then closing account 691. Fourth: for companies paying microenterprise income tax, the tax expense is determined quarterly based on revenues, and the closing follows the same order, even though the base has no connection to the result.

What comes next

We used a figure twice above without explaining it: the tax of 13,280 lei on a profit of 80,000. Anyone calculating 16% of 80,000 gets 12,800, not 13,280. The difference is not a mistake — it is the subject of the next chapter.

Exercise 42.1 — what remains after closing

Before the annual closing, the trial balance shows: 707 credit 500,000; 607 debit 300,000; 641 debit 120,000; 371 debit 80,000; 4111 debit 15,000; 401 credit 45,000; 5121 debit 60,000; 1012 credit 30,000.

(a) Does the trial balance close? (b) What balances remain after closing the result accounts, and what is the balance of 121? (c) Why can't the income statement be prepared AFTER this operation?

SOLUTION

(a) Debit: 300,000 + 120,000 + 80,000 + 15,000 + 60,000 = 575,000. Credit: 500,000 + 45,000 + 30,000 = 575,000. It closes.

(b) Only the balance sheet accounts remain: 371 debit 80,000, 4111 debit 15,000, 5121 debit 60,000, 401 credit 45,000, 1012 credit 30,000. Accounts 707, 607, and 641 become zero.

The balance of 121: 500,000 revenues − 420,000 expenses = 80,000 lei, CREDIT, i.e. gross profit.

The verification after closing: assets 80,000 + 15,000 + 60,000 = 155,000; liabilities 45,000 + 30,000 + 80,000 = 155,000. It closes now too — the profit has taken the place of the vanished turnovers, which is exactly the purpose of the operation.

(c) Because the turnovers of accounts 6 and 7 have become zero. An income statement prepared on the trial balance AFTER closing comes out entirely at zero — and the error goes unnoticed, because the balance sheet prepared on the same trial balance comes out correct. This is the most frequent cause of empty reports.

The three stages, in figures

The order of the three stages is best understood by tracking what account 121 contains after each one. Here is a year with 500,000 lei in revenues, 420,000 in expenses (excluding tax), and a tax of 12,800.

ACCOUNT 121, AFTER EACH STEP

Stage	What is closed	Balance of 121
before closing	—	0
1. revenues	7xx = 121, with 500,000	500,000 credit
2. expenses (excluding 691)	121 = 6xx, with 420,000	80,000 credit — the GROSS result
	the tax is calculated on this result	—
3. the tax expense	121 = 691, with 12,800	67,200 credit — the NET result

The tax is calculated between step 2 and step 3. That's why there are three stages, not one: the figure needed for step 3 is obtained only after step 2.

Anyone who closes all the expense accounts at once, including 691, obtains a gross result already reduced by the tax — and if the tax is then calculated on it, the resulting figure is smaller than the amount actually owed. The error is self-perpetuating: each recalculation deepens it.

What remains in 121 after December 31

Unlike accounts 6 and 7, account 121 is NOT settled at the closing of the fiscal year. It keeps the result until its distribution, which takes place in the following year, after the financial statements are approved.

So a balance in 121 on January 1 is normal and expected — unlike a balance in 607 or 707, which is always an unperformed closing. It is a small and often confused distinction, and the confusion leads to additional "closings" that empty the result before it has been distributed.

> ***On January 1, the revenue and expense accounts must be ZERO. Account 121 is not — it carries the result until distribution, that is, until the shareholders decide what to do with it.***

The microenterprise: same path, different base

For companies paying microenterprise income tax, the closing mechanism is unchanged, but the step between the stages looks different: the tax is not calculated on the result, but on revenues, and not at the end of the year, but quarterly.

The consequence is that, on December 31, the tax expense is already recorded — four quarters, already declared and paid. The third stage still exists, but it closes an expense that no longer depends on the result just calculated. The order remains the same; only the dependency between the steps disappears.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
correct closure of revenue and expense accounts and transfer of the result	pre/post-close trial balances, closing entries and result calculation	reperform the closing and verify zero balances in classes 6/7	manual entries moving expenses to obtain a desired result

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Revenue and expense accounts measure an interval, so they are emptied at its end; balance sheet accounts carry over across years.
- Revenues are closed through 7xx = 121, expenses through 121 = 6xx. What remains in 121 is the result.
- A credit balance in 121 means profit, a debit balance means loss.
- The tax is recorded after closing the other accounts, and only then is it also closed — three stages, not one.
- A balance remaining in a class 6 or 7 account on January 1 is an unperformed closing.
- Financial statements are prepared on the trial balance BEFORE closing; after it, reports based on turnovers show zero.

Chapter 43

From accounting result to tax result

A business owner who sees a profit of 80,000 lei and a tax rate of 16% expects 12,800 lei. They will pay 13,280. The difference doesn't come from a calculation error, but from the fact that the tax isn't applied to the accounting profit.

It is applied to the taxable result — a different figure, obtained from the first through adjustments required by law. This chapter shows where the adjustments come from and why they aren't optional.

Two results, two purposes

The accounting result measures the economic performance of the company. The taxable result measures the base that the state chooses to tax. They are different questions, so they have different answers.

The state refuses, for instance, to bear through lower tax a fine received by the company — otherwise it would be paying part of the sanction it itself imposed. The expense is real and reduces accounting profit; for tax purposes, it is not recognized.

> ***A non-deductible expense is not a refused expense. It is a real expense, paid from the company's money, which the state does not deduct from the base.***

The calculation, step by step

FROM 80,000 ACCOUNTING PROFIT TO TAX

Item	Amount	Explanation
Gross accounting profit	80.000	revenues minus expenses, before tax
+ Fine (account 6581)	5.000	fully non-deductible, art. 25
+ Non-deductible taxes (account 635)	2.000	fully non-deductible
− Legal reserve	4.000	tax deduction, art. 26 — 5% of gross profit
= Taxable result	83.000	
Tax 16%	**13.280**	**compared to 12,800 on accounting profit**

The difference of 480 lei comes from 7,000 lei non-deductible and 4,000 lei deducted, weighted by the 16% rate.

Note that the adjustments go both ways. Non-deductible items raise the base; non-taxable revenues and tax deductions lower it. It is not a penalty mechanism, but an alignment with a different definition of gain.

The legal reserve: the deduction that isn't an expense

The fourth row in the table deserves separate attention, since it is the one most often omitted — and omitting it costs money, not just accuracy.

The legal reserve is mandatorily set up through the allocation of profit, not through recording an expense. So it never appears in any class 6 account and cannot reach the tax base through the usual route.

The law nonetheless recognizes it as a deduction. A company that does not deduct it still must set up the reserve and pays 16% on it — in the example above, 640 lei per year, lost with nothing in return.

The two kinds of non-deductible items

This distinction is the most useful in the whole chapter, because it explains why the calculation cannot be done "by eye".

FIXED PERCENTAGE AND CAP

Type	How it's calculated	Examples
Fixed percentage per account	part of the expense itself is non-deductible	fines 100%, provisions 100%, receivable adjustments 70%
Cap on a base	deductible up to a calculated limit	protocol 2%, social expenses 5%, interest, sponsorship

For protocol expenses, 2% does NOT mean "2% is non-deductible". It means "deductible up to 2% of a calculation base" — the rest is non-deductible.

The confusion between the two is among the most costly in tax practice, because it produces errors of tens of percentage points, in either direction, without anything flagging them.

Carried-forward loss

A year with a loss is not permanently lost: the tax loss is carried forward and deducted from the profits of subsequent years. However, two limits apply, and both have changed recently.

The first is quantitative: the loss can be recovered up to a limit of 70% of the year's taxable result, not in full. The second is temporal: losses are carried forward for a limited number of years, and those not recovered within this interval are permanently lost.

The practical consequence is that losses must be tracked by year, not as a cumulative sum. A single sum has no age, so it cannot expire — and a company that keeps track this way will, silently, calculate too little tax, year after year. The correct order of consumption is from oldest to newest, precisely because the oldest expires first.

The tax records register

All these adjustments cannot be kept in memory and cannot be reconstructed a year later. The law therefore requires a dedicated register, in which each adjustment is recorded with its amount and its legal basis.

The register is not a formality: it is the only document that can explain, during an audit, why the declared tax differs from 16% of the balance sheet profit. Without it, the difference must be defended from memory — and memory is not evidence.

> **FOR THE ACCOUNTANT**
>
> The taxable result is determined under art. 19 of the Tax Code as the difference between revenues and expenses, adjusted by the non-deductible expenses under art. 25, the non-taxable revenues under art. 23, and the deductions expressly provided for, among them the legal reserve under art. 26 para. (1) letter a) — 5% of gross accounting profit, up to one-fifth of the subscribed and paid-in share capital. Four clarifications. First: the base for the reserve is GROSS profit, i.e. the result before the corporate income tax expense, and the cap is calculated on the subscribed AND paid-in capital, not the subscribed capital alone — confusing the two, for a company with partially paid-in capital, overstates the cap several times over. Second: the order in which adjustments are applied is part of the calculation, not indifferent — fixed percentages and caps that do not depend on the tax are applied first, and the sponsorship tax credit is deducted FROM THE TAX, not from the base, so it necessarily comes last. Third: recovery of tax losses is done in order of age, within the percentage limit and the deadline provided by art. 31 in the form applicable to the year in which the loss was recorded — the regime differs between losses prior to and those after the 2024 amendment, so tracking by year of origin is mandatory, not optional. Fourth: the tax records register is prepared according to the order approving its template and content; for each adjustment it must contain the nature, the amount, and the legal basis, and the match between its totals and the lines of the annual corporate income tax return is the first check an inspection performs.

What's next

The tax is calculated, and the net result is established. What remains is the question the business owner has been waiting to have answered from the start: what can be done with it. This is the final chapter of this part.

Exercise 43.1 — from accounting profit to tax

Gross accounting profit 120,000 lei. Expenses: fines 8,000; non-deductible provision 15,000; protocol 6,000, with a deductible cap calculated at 2,600. Subscribed and paid-in share capital 100,000, existing legal reserve 6,000. There is no carried-forward loss.

Calculate the taxable result and the tax.

SOLUTION

Non-deductible: fines 8,000 (full) + provision 15,000 (full) + the portion of protocol expenses over the cap, 6,000 − 2,600 = 3,400. Total: 26,400 lei.

Legal reserve: 5% of GROSS profit = 6,000 lei. The cumulative cap is 20% of paid-in capital = 20,000, of which 6,000 already exists, so 14,000 more can fit. The full amount can be set up: 6,000 deductible.

Taxable result: 120,000 + 26,400 − 6,000 = 140,400 lei. Tax: 16% × 140,400 = 22,464 lei.

Comparison: 16% of accounting profit would have given 19,200. The difference of 3,264 lei comes from 26,400 non-deductible minus 6,000 deducted, weighted at 16%.

What omitting the legal reserve would have cost: 16% × 6,000 = 960 lei per year, paid for nothing, on a reserve the law requires the company to set up anyway.

A complete case, from trial balance to tax return

The rules covered so far are best seen laid out one after another, on the same company. Here is a full year, with all four kinds of adjustments at once — fixed percentage, cap on a base, deduction that isn't an expense, and credit deducted from the tax.

THE YEAR'S DATA

Item	Amount
Gross accounting profit	120.000,00
Turnover	500.000,00
Subscribed and paid-in share capital	200.000,00
Fines (account 6581)	8.000,00
Provision for litigation (account 6812)	15.000,00
Receivables adjustment (account 6814)	12.100,00
Protocol expenses (account 623)	6.000,00
Sponsorship granted	10.000,00

Nothing out of the ordinary: these are the expenses that almost any company has, in one year or another.

Step one: non-deductible items, in their order

The order is not indifferent, since some adjustments are calculated on a base that includes others. Fixed percentages per account are applied first, then caps that depend on a calculation base.

ADJUSTMENTS, CALCULATED

Account	Rule	Spent	Non-deductible	Row D101
6581	fines — 100% non-deductible	8.000,00	8.000,00	P33
6812	non-deductible provision — 100%	15.000,00	15.000,00	P33
6814	receivables adjustment — 30% deductible	12.100,00	8.470,00	P33
623	protocol — deductible up to 2% of base	6.000,00	3.480,00	P26
6584	sponsorship - non-deductible on base; can reduce tax within limits	10.000,00	10.000,00	P33
	Total non-deductible		**44.950,00**	

The protocol row is what clarifies the distinction: the calculation base is 126,000 (gross profit plus the protocol expense itself), 2% of it means 2,520 deductible — so the non-deductible amount is 3,480, not 2% of 6,000.

Step two: the deduction that isn't an expense

The legal reserve is deducted from the taxable result without ever having passed through an expense account. On a gross profit of 120,000 and capital of 200,000, the 5% rate gives 6,000 lei, and the cumulative cap of 20% of capital — 40,000 — leaves room for the entire amount.

TAXABLE RESULT

Item	Amount
Gross accounting profit	120.000,00
plus non-deductible expenses	44.950,00
minus legal reserve	6.000,00
= Taxable result	158.950,00
Tax 16%	**25.432,00**

The sponsorship expense is first added back in determining the taxable result; its benefit arises later as an amount deducted from corporate income tax. Without the legal reserve, tax would have been 26.392 lei — 960 lei higher.

Step three: the credit deducted from the tax

Sponsorship is not deducted from the base, like the others, but from the tax already calculated — which is why it could not be calculated together with them. It has two caps, and the smaller one applies.

THE SPONSORSHIP CREDIT

Cap	Calculation	Amount
0.75% of turnover	0,75% × 500.000	3.750,00
20% of corporate income tax	20% × 25.432	5.086,40
The smaller one applies		3.750,00
Sponsorship granted		10.000,00
Used this year		3.750,00
Excess without tax credit this year		**6.250,00**

For current sponsorship, the difference above the ceiling shall not be carried over. The carry-over regime has remained transient for historical amounts under the law; the unused ceiling space can be redirected through form 177, but does not transform a sponsorship already granted above the ceiling into a future credit.

Final tax is 25.432 minus 3.750, or 21.682 lei. The 10.000 lei sponsorship cost the company 6.250 lei in the current year; the balance was absorbed by tax that no longer had to be paid. Report the beneficiary and amounts in D107. Had the company not used the entire ceiling, the available amount could have been redirected through D177 under Article 42 of the Tax Code.

> ***Three kinds of adjustment, three moments: fixed percentages and caps raise or lower the BASE; the legal reserve lowers it without being an expense; sponsorship is deducted from the TAX. Anyone who mixes them up gets a wrong result even if each individual figure is correct.***

Research and development in 2026: enhanced deduction or tax credit

For eligible research and development activities, 2026 introduced a choice with a material effect: a corporate income tax payer may apply the incentive based on the enhanced deduction for eligible expenditure or elect the 10% tax credit governed by Article 20^1 of the Tax Code. The two mechanisms cannot be applied to the same eligible expenditure.

TAX ELECTION FOR AN R&D PROJECT

Question	Enhanced deduction	10% tax credit
Where the benefit arises	in determining the taxable result	after calculating corporate income tax
Common condition	eligible, identifiable and documented project and expenditure	the same condition; a percentage cannot cure missing technical documentation
What to compare	the effective tax saving under the entity's scenario	10% of eligible expenditure, subject to the statutory limits and mechanism
Unused amount	follows the rules for the selected mechanism and the taxable result	offset or refunded under the law within the four-year period

Model the election before finalising D101 and approve it in the tax file. Do not decide from the apparently higher percentage; consider the actual tax position, carried-forward tax losses, other tax credits and capacity to use the benefit.

The file begins with the technical owner, not accounting: project objective, novelty, technological uncertainty, activities and people involved, timesheets or time allocations, materials consumed and the criterion separating the work from ordinary commercial activity. Accounting then bridges those records to the expense accounts. A trial-balance subledger labelled "R&D" does not, by itself, establish eligibility.

R&D ELECTION SCHEDULE

The 2026 working paper contains at least: projects and periods; legal basis and technical eligibility assessment; reconciliation of eligible expenditure to the trial balance and source documents; exclusion of commercial, administrative or incompatibly funded costs; separate modelling of the enhanced deduction and 10% credit; the effect of tax losses and other credits; the approved election; and links to the tax records register and D101. Do not claim both incentives on the same base. Track every carry-forward, offsettable or refundable amount separately by year of origin, deadline and supporting evidence.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
complete bridge from accounting result to corporate income tax	tax records register, trial balance, D101, tax losses and incentive records	recompute adjustments in the statutory order and reconcile the return	16% applied directly to accounting profit, or a tax credit deducted from the tax base

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Tax is applied to the TAXABLE result, not the accounting one; the two measure different things.
- A non-deductible expense is real and paid — the state simply refuses to deduct it from the base.
- The legal reserve is a fiscal deduction without being an expense; omitting it costs 16% of the reserve's value, every year.
- Non-deductible items come in two kinds: fixed percentage on an expense and cap on a calculation base — confusing them produces large errors.
- A loss is recovered up to a limit of 70% of the taxable result and only within the legal deadline; it is tracked by year, and consumed from the oldest onward.
- The tax records register is the only document that explains, during an audit, the difference between the tax and 16% of the accounting profit.
- From 2026, document the choice between the enhanced deduction and the 10% tax credit for eligible R&D expenditure; the two cannot be combined on the same base.

Chapter 44

Distribution of the result

The net profit now exists as a balance in account 121. But it is not at anyone's disposal: until distribution, it is a figure, not an available sum.

Distribution is the last step of the closed financial year and, at the same time, the first of the next one — because it happens after the financial statements are approved, that is, in the following year.

The order, which is legal

Three acts must occur in this order, and none can be skipped: the financial statements are prepared, the general meeting of shareholders approves them and decides on the distribution, and only afterward is the distribution recorded and the dividends can be paid.

A business owner who takes money out of the company before this order has not received dividends: they have taken a loan from their own company, with all the tax consequences that follow. The distinction seems formal and is among the most expensive in practice.

> ***A dividend is not a withdrawal of money. It is the outcome of a decision that cannot be made without approved financial statements.***

The legal reserve comes first

From the profit, the legal reserve is set up first: 5% of the gross profit, until the reserve reaches one fifth of the subscribed and paid-up share capital.

It is an unavailable reserve — it cannot be distributed and can only be used under the conditions set by law. Its purpose is creditor protection: part of the earnings stays in the company, as a buffer.

In accounting terms, the setting up of the reserve passes through an intermediate account, 129 Profit Distribution, which is then closed into 121. This detour seems unnecessary, but it is what makes the distribution appear distinctly in the income statement, not as a simple transfer between equity accounts.

What remains, in figures

DISTRIBUTION OF A NET PROFIT OF 66,720 LEI

Step	Journal entry	Amount
Setting up the legal reserve	129 = 1061	4.000
Closing the distribution account	121 = 129	4.000
The remainder, to retained earnings	121 = 117	62.720
Gross dividends decided	117 = 457	62.720
Dividend tax 16%	457 = 446	10.035,20
Payment to shareholders	457 = 5121	52.684,80

The reserve is calculated on the GROSS profit (5% of 80,000), although it is taken from the NET profit. The two bases differ, and confusing them is a frequent error.

Out of 80,000 lei of gross profit, the shareholder actually receives 52,684.80. The rest went to corporate income tax — 13,280 —, to dividend tax — 10,035.20 —, and to the legal reserve — 4,000, which nevertheless remains in the company.

It is worth telling a business owner clearly: between the profit in the balance sheet and the money that reaches them, there are two successive taxes, not one. This is the figure on which the decision to distribute or reinvest is made, and it appears nowhere in the financial statements.

The loss

When the financial year ends with a loss, the mechanism is symmetrical and simpler: the debit balance of account 121 is carried into retained earnings, where it awaits coverage from future profits.

It is neither erased nor ignored. A company with a loss carried forward cannot distribute dividends before covering it — the rule is economic common sense: you do not divide up a gain that has not yet recovered a previous loss.

Interim dividends

The law also allows distribution during the year, based on interim financial statements. It is a real facility, but with a condition that is often forgotten: if at the end of the financial year the result turns out to be smaller than what was distributed, the difference must be returned.

It is, therefore, an advance on a profit that has not yet occurred. Treated as such, it is useful; treated as a final distribution, it produces, at year end, a receivable from the shareholders themselves, which no one had anticipated.

FOR THE ACCOUNTANT

Profit is appropriated under the accounting regulations and the shareholders' resolution. The legal reserve is mandatory under Company Law and deductible within the limits of Article 26 of the Tax Code. From 2026, the distribution file must support six tests. First, the reserve is 5% of gross profit until it reaches 20% of subscribed and paid-in capital. Second, dividend tax is 16% for distributions from 1 January 2026, including the rule for dividends distributed but unpaid at year-end. Third, interim dividends are settled against the annual financial statements and any excess is repaid. Fourth, current profit is distributed only after covering retained losses and establishing legal and statutory reserves. Fifth, when net assets are below half of subscribed share capital, annual or interim dividends may be paid only after net assets are restored. Sixth, a company making quarterly distributions may not lend to shareholders or other related parties until differences are settled; breach of the rules introduced by Law 239/2025 may trigger joint liability and fines.

What comes next

With the distribution, the financial year is complete: recorded, verified, declared, closed, and distributed. What remains is the part for which everything else was done — the documents that state, in one page, what the company did in a year.

Exercise 44.1 — how much reaches the shareholder

Continuing the previous exercise: gross accounting profit 120,000, corporate income tax 22,464, legal reserve 6,000. The shareholder wants to distribute everything possible.

Calculate the amount that actually reaches them and the proportion of the gross profit.

SOLUTION

Net profit: 120,000 − 22,464 = 97,536 lei.

From it, the legal reserve of 6,000 is set up (calculated on gross, but taken from net), so what remains to be distributed is: 91,536 lei.

Dividend tax 16%: 14,645.76 lei. What reaches the shareholder: 76,890.24 lei.

Out of 120,000 lei of gross profit, the shareholder receives 76,890.24 — that is, 64%. The rest: 22,464 corporate income tax, 14,645.76 dividend tax, and 6,000 legal reserve, which nevertheless remains in the company.

The figure to remember, because it is the one on which the decision to distribute or reinvest is made: between the profit in the balance sheet and the money in the pocket, there are TWO successive taxes, not one — and they appear nowhere in the financial statements.

How much can actually be distributed

Net profit is not automatically the amount that can be divided up. From it, three things are subtracted, in order — and what remains is called distributable profit.

FROM NET PROFIT TO DISTRIBUTABLE PROFIT

Step	What is subtracted	Why
1	loss carried forward from previous years	you do not divide up a gain that has not recovered a loss
2	the legal reserve due for the current year	it is mandatory, up to the cap
3	other reserves required by law or by the articles of association	if any exist
=	distributable profit	only this can become a dividend

The order matters: the reserve is calculated on the year's GROSS profit, but is taken from the NET profit, after covering the loss.

Distributing beyond this limit is not an accounting error, but an act with consequences: the amounts must be returned, and those who approved it are liable for it. This is why the general meeting's decision must be based on approved financial statements, not on an estimate.

The reserve cap, calculated

The legal reserve is not built up indefinitely. It accumulates until it reaches one fifth of the subscribed and paid-up share capital, and from that point on the obligation ceases — along with its deductibility.

HOW MUCH MORE CAN BE SET UP, WITH A CAPITAL OF 30,000 LEI

Element	Amount
Subscribed and paid-up share capital	30.000,00
Reserve cap (20%)	6.000,00
Reserve already set up	0,00
Can still be set up	6.000,00
5% of the year's gross profit	21,04
The year's reserve (the lower of the two)	**21,04**

The figures are those calculated by the application on the book's example. With a small gross profit, the reserve is small — but the obligation exists every year with a profit, until the cap is reached.

The last two rows show the rule: 5% of gross profit is set up, but no more than the space remaining up to the cap. For a company with high profits, the cap is reached within a few years, and the reserve ceases; for one with small profits, the obligation accompanies the company for a long time.

> ***The legal reserve is not an expense and does not leave the company. It is part of the earnings that the law prevents from being distributed — a buffer for creditors, not a loss for the shareholders.***

Distribution tests applicable in 2026

WHAT MUST BE IN THE FILE BEFORE PAYMENT

Test	Minimum evidence	Conclusion that blocks payment
Distributable profit	approved financial statements, trial balance, shareholders' resolution and reserve calculation	retained loss or reserves not established
Net assets	total assets minus total liabilities, reconciled to the approved financial statements	net assets below half of subscribed capital
Interim dividends	interim financial statements and settlement calculation	prior differences still unsettled
Related-party loans	account 451/455 ledgers, contracts, maturities and confirmations	loan granted to a related party during the restricted period
Withholding tax	16% calculation, payment order, D100 and records by beneficiary	net payment with no withholding or no scheduled tax deadline

The tests are cumulative. Cash in the bank does not prove the existence of distributable profit or that net assets permit payment.

Law 239/2025 also introduced new minimum share-capital thresholds for SRLs: 500 lei for newly incorporated companies and at least 5.000 lei when reported net turnover exceeds 400.000 lei. Existing companies have the statutory transition period to comply, while companies increasing capital by 31 December 2026 benefit from a reduced publication fee. Keep this control in the same file because capital affects both the net-assets limit and the legal-reserve ceiling.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
lawful appropriation and payment of profit	approved financial statements, resolutions, reserves, net-assets calculation, account 457 and payments	recompute distributable profit, restrictions and tax	dividend paid before the tests, or shareholder loan repaid while legally restricted

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- Distribution takes place after the approval of the financial statements, that is, in the following financial year.
- Money taken from the company before the decision is not dividends, but a loan from the company.
- The legal reserve comes first: 5% of GROSS profit, up to 20% of the subscribed and paid-up share capital; it is unavailable.
- Between the gross profit and the money reaching the shareholder there are TWO taxes: 16% on profit and 16% on dividends.
- A loss carried forward blocks distribution until it is covered.
- Interim dividends are an advance: if the final result is smaller, the difference must be returned.
- In 2026, the payment shall also be blocked when the net asset is less than half of the capital; interim distributions temporarily limit loans to related parties.

Chapter 45

The Income Statement

We arrive at the documents for which all the rest was done. Forty-four chapters of entries, checks, and closings come together in two pages — and the first of them answers the question with which the book began: did you earn or did you lose?

The income statement is a flow statement: it covers a period, from January 1 to December 31, and shows what happened within it. It says nothing about what the firm has — that's the balance sheet's job.

Structure: two activities, two results

The form does not lump all revenues and all expenses into a single pile. It separates them into two activities, and this separation is the main piece of information the document provides.

THE INCOME STATEMENT, IN ITS STRUCTURE

Level	What it includes
Operating revenue	14.000,00
Operating expenses	13.579,17
Operating result	420,83
Financial revenue	0,00
Financial expenses	0,00
Financial result	0,00
Gross result	420,83

The 13,579.17 in expenses breaks down into: goods sold 8,000, salaries 5,000, employer's contribution 112.50, and depreciation 466.67.

> ***The operating result tells you whether the business works. The net result tells you what's left after everything. A firm can have the first positive and the second negative — and then the problem isn't the business, but how it's financed.***

On real figures

Here is the situation of a small firm, generated from its own accounting records — the same one from the chapters on ledgers.

INCOME STATEMENT FOR THE FINANCIAL YEAR

Item	Amount
Operating revenue	14.000,00
Operating expenses	13.579,17
Operating result	420,83
Financial revenue	0,00
Financial expenses	0,00
Financial result	0,00
Gross result	**420,83**

The 13,579.17 in expenses breaks down into: goods sold 8,000, salaries 5,000, employer's contribution 112.50, and depreciation 466.67.

The breakdown in the note is the document's second piece of information, and it deserves careful reading. At this firm, goods sold represent almost two-thirds of expenses, and salaries the rest. This structure tells you what kind of firm it is — a trader, not a service provider — without needing to ask anyone.

Why the money doesn't appear anywhere

This is the question every business owner asks on first reading: if I have a profit of 420.83 lei, where is it?

The answer is that it's nowhere, because profit is not an amount of money. It's a measure of the difference between value created and value consumed — and the two are recognized when they occur, not when they are paid.

The depreciation of 466.67 lei in the example illustrates this perfectly: it's an expense that reduced profit without taking a single leu out of the account. Symmetrically, an invoice issued and not collected produced revenue without bringing in any money. It's the same thing Chapter 1 was saying, now arrived at its final form.

How to read it, in five seconds

An experienced reader does not go through the document from top to bottom. They look at three things and usually form an opinion before reading the rest.

First, the sign of the operating result — if it's negative, nothing else matters much. Then the ratio between the operating result and revenue, i.e., the margin. Finally, the financial result: if it swallows a significant part of the operating result, the firm is working for the bank.

The comparison with the previous year, which appears on the form as a second column, adds a fourth piece of information and is the most valuable of all: not how much, but which direction.

> **FOR THE ACCOUNTANT**
>
> The income statement is prepared according to the accounting regulations approved by OMFP 1802/2014, in the F20 format, with a condensed structure for micro-entities and a full structure for the other categories. Four practical observations. First: the document is prepared based on the trial balance BEFORE the closing operations for the result accounts; using the balance after this produces a form that is entirely zero, and the error goes unnoticed because the balance sheet still comes out correctly — this is the most common cause of blank reports. Second: net turnover includes accounts 70x reduced by the commercial discounts granted from 709, and does not include revenue from subsidies, other operating revenue, or financial revenue; using total revenue as turnover distorts both the indicators and the reporting and audit thresholds. Third: the change in finished goods inventory and capitalized production are presented separately and can be negative — a negative change is not an error, but a signal of a decrease in finished goods inventory. Fourth: the gross result in this form is exactly the basis for the legal reserve from Chapter 44, and the income tax expense is presented separately, after the gross result; inserting it into operating expenses falsifies both the operating result and the basis for the reserve.

What comes next

The income statement has answered the question about the period. What remains is the question about the moment: what does the firm have and what does it owe, at a given date. That's the balance sheet, and the equality that defines it is no coincidence.

Exercise 45.1 — read the income statement in three glances

Firm A: operating revenue 800,000, operating expenses 760,000, financial revenue 0, financial expenses 35,000.

Firm B: operating revenue 800,000, operating expenses 830,000, financial revenue 40,000, financial expenses 0.

Both have a gross result of 5,000 and 10,000, respectively. Which one is healthier?

SOLUTION

Firm A: operating result +40,000, financial result −35,000, gross +5,000. The business produces; the cost of financing swallows almost all of it. The problem is the financing structure, not the activity.

Firm B: operating result −30,000, financial result +40,000, gross +10,000. The business is LOSING money; the profit comes from something else — interest, an exchange-rate difference, a non-recurring item of income.

So B looks better on the bottom line and is sicker. A can refinance a loan; B has to change its activity.

The reading rule, in order: the sign of the OPERATING result, then the margin, then how much the financial result swallows. The bottom line is the least informative line in the whole document, even though it's the only one everyone reads.

What an outside reader looks at

The form has the same lines for every firm, but whoever reads it isn't looking for the same things. It's worth knowing what each one is after, because that shows which line has to hold up under scrutiny.

THREE READERS, THREE LINES

Who reads	What they look for first	Why
The bank	the operating result and depreciation	they add them up: how much cash the activity produces
A buyer of the firm	the margin and its trend over three years	how much of what they see is repeatable
The tax inspection	expenses under special regime	entertainment, sponsorship, vehicles, provisions

None of them looks first at net profit. It's the most cited and least informative figure in the document.

The structure of expenses tells you what kind of firm it is

The breakdown of expenses by nature — goods, materials, personnel, depreciation, services — is the document's second piece of information, and from it you can read the business model without asking anyone.

THE EXPENSES OF THE FIRM IN THE EXAMPLE, BY NATURE

Account	Nature	Amount	Share of total
607	Goods sold	8.000,00	59%
641	Salaries	5.000,00	37%
646	Employer's contribution	112,50	1%
6811	Depreciation	466,67	3%
	Total	**13.579,17**	**100%**

Almost 60% is the cost of goods sold: it's a trading firm. For a service provider, the first line would be missing, and salaries would exceed 60%.

This ratio is useful over time too, not just between firms. An increase in the share of salaries without a corresponding increase in revenue means the firm hired ahead of orders; an increase in depreciation means it invested. Both are decisions, and the income statement shows them a year later than when they were made.

What can't be seen from it

The document says nothing about when the money comes in — that's the cash flow statement's job — nor about what the firm has, which is the balance sheet's job. But it has another, less obvious limitation: it doesn't distinguish what's repeatable from what happened only once.

A firm that sold a piece of equipment this year at a gain has a better result, but not a better business. That's why disposals of assets are presented separately, and anyone analyzing a firm first subtracts the non-recurring items — an operation not required by any form, but without which the comparison with last year says nothing.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
complete presentation and sound analysis of performance	mapped trial balance, income statement, notes and comparisons	reconcile each line and distinguish recurring from unusual items	profit improved through reclassification or a non-recurring event

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- The income statement covers a period, not a moment: it tells you what happened between two dates.
- The structure separates operations from financial activity — and the operating result is the line that tells you whether the business works.
- The gross result is the sum of the two; tax is deducted after it and is calculated on the taxable result.
- Profit is not an amount of money: depreciation reduces profit without taking out a single leu, and an uncollected invoice produces revenue without bringing in any money.
- It's read in three glances: the sign of the operating result, the margin, and how much the financial result swallows.
- It's prepared based on the trial balance BEFORE the closing of the result accounts — otherwise it comes out entirely at zero.

Chapter 46

The Balance Sheet

The balance sheet is a photograph. The income statement told the story of a whole year; the balance sheet shows a single moment — usually December 31, midnight — and states what the company has and to whom it owes.

It has two sides, and they are always equal. Not because the company is "balanced," but because the two sides describe the same thing from two angles: what exists, and where it came from.

The Two Questions

The assets answer the question "what does the company have": goods, inventory, receivables, cash. The liabilities and equity answer "what was it financed with": owners' money, undistributed profit, debts.

Every leu in the assets came from somewhere. Either the owners put it in, or the company produced it and kept it, or it is owed to someone. There is no fourth option — and that is where the equality comes from.

> ***Assets = Liabilities + Equity is not a check that may or may not balance. It is the same reality counted twice: once by form, once by origin.***

A Balance Sheet, Read

BALANCE SHEET AS OF DECEMBER 31

ASSETS	Amount	LIABILITIES AND EQUITY	Amount
Fixed assets (net)	48.000	Share capital	30.000
Inventory	22.000	Reserves	4.000
Receivables	31.000	Retained earnings	20.000
Cash and bank	39.000	Result for the year	26.000
		Liabilities over 1 year	25.000
		Liabilities under 1 year	35.000
TOTAL ASSETS	**140.000**	**TOTAL LIABILITIES AND EQUITY**	**140.000**

The first four lines on the liabilities and equity side make up equity: 80,000 lei. This is the owners' net worth — what would remain if all debts were paid.

The figure of 80,000 lei in the note is the most important one in the whole document and, paradoxically, does not appear as a separate line in the usual reading. It answers the question "how much is the company worth to its owners," and its evolution from year to year is the most honest measure of success.

The Order of the Lines Is Not Random

Assets are arranged in increasing order of liquidity: first what is hardest to convert into cash — buildings, equipment — and last, cash itself.

Liabilities and equity follow the increasing order of enforceability: first what never has to be returned — the owners' capital —, then long-term debts, then those payable in the coming months.

Arranged this way, the two columns can also be read horizontally. An asset that is hard to convert into cash, financed from short-term debt, is the classic signal of a cash-flow problem that has not yet occurred. The comparison between the bottom of the assets and the bottom of the liabilities — current assets versus current liabilities — is the simplest financial health indicator there is.

What the Balance Sheet Does Not Show

This is worth saying, because otherwise the document is overrated. The balance sheet does not contain the market value of the company, but the historical cost of its elements, adjusted for depreciation and impairment.

It also does not contain the brand, the customer base, or the team's expertise — real assets, sometimes the most valuable ones, which do not meet recognition criteria. A services company with thirty good employees may have a smaller balance sheet than a warehouse full of goods.

That is why the balance sheet is not read alone. Read alongside the income statement and the cash flow, it says a lot; read in isolation, it says less about the company than it seems to.

FOR THE ACCOUNTANT

The balance sheet is prepared in the F10 format provided by the accounting regulations, abbreviated for micro-entities and small entities and complete for medium and large ones, with two columns — the beginning and the end of the financial year. Four observations. First: the balance sheet identity must result by construction, not by adjusting a balancing line — each account must fall into exactly one line, with the correct sign, and the totals must be calculated using the form's formulas, not summed independently; otherwise a divergence appears between what the report shows and what the validator checks. Second: elements are presented at NET value — fixed assets reduced by depreciation and impairment, receivables by the impairment adjustments from Chapter 27 — and presentation at gross value simultaneously inflates the assets and, by correlation, the indicators calculated on them. Third: the split of debts into those due within one year and over one year is made according to the actual maturity at the balance sheet date, not according to the nature of the account; the balance of account 167 from Chapter 24 is split between both lines, depending on the installments for the next twelve months. Fourth: credit balances on receivables accounts and debit balances on liabilities accounts are not offset against each other, but are presented on the side that corresponds to their economic nature, after analyzing the cause — the prohibition on offsetting is one of the rules most often violated in practice, and the effect is a simultaneous understatement of assets and liabilities.

What Comes Next

The two main documents are ready. However, they are not the only ones filed — and among those that accompany them, one answers the question that neither the balance sheet nor the income statement touches: where did the money go.

Exercise 46.1 — What the Balance Sheet Says When Read Horizontally

Balance sheet: net fixed assets 200,000; inventory 60,000; receivables 90,000; cash and bank 10,000. Equity 120,000; liabilities over one year 40,000; liabilities under one year 200,000.

(a) Does it balance? (b) What does the horizontal comparison show?

SOLUTION

(a) Assets: 200,000 + 60,000 + 90,000 + 10,000 = 360,000. Liabilities and equity: 120,000 + 40,000 + 200,000 = 360,000. It balances.

(b) Current assets (inventory + receivables + cash) = 160,000. Current liabilities = 200,000. The company has 40,000 lei more to pay in the next twelve months than it can convert into cash in the same period.

The cause is also visible horizontally: fixed assets of 200,000 are financed from equity (120,000) plus long-term debt (40,000) = 160,000, so 40,000 of them are financed from SHORT-term debt. An asset that is recovered over five years, paid from money owed in six months.

This is not an accounting error and it does not show up in the income statement. It is a cash-flow problem that has not yet occurred — and it is the one thing the balance sheet says better than any other document.

The Official Form Does Not Have Two Columns

The balance sheet in this chapter is presented in two columns, because that is the easiest way to understand the equality. The official form, however, looks different: it is VERTICAL, and the equality is not seen at a glance — it is reached at the end, through a chain of subtractions.

THE EXAMPLE BALANCE SHEET, IN OFFICIAL FORM

Line	What It Includes	Amount
A. Fixed assets	net fixed assets	15.366,65
B. Current assets	inventory, receivables, cash and bank	71.015,00
D. Liabilities under one year	suppliers, salaries, contributions, VAT	20.127,50
E. Net current assets	B − D	50.887,50
F. Total assets minus current liabilities	A + E	66.254,15
J. Equity	**capital, retained earnings, result for the year**	**66.254,15**

The classic equality appears only at the end: F = J. The two figures are the same, but they were reached by different routes.

Line E deserves attention, since it is the only one that does not appear in the two-column form and is perhaps the most useful in the whole document: net current assets, i.e. what remains of short-term assets after paying short-term debts. Here, 50,887.50 lei — a company that can cover its near-term obligations more than three times over.

When line E is negative, the company has more to pay in the next twelve months than it can convert into cash in the same period. This is not an accounting error and does not appear anywhere in the income statement — but it is the first thing a bank reads.

> ***The vertical form does not hide the equality, it postpones it — and along the way, it calculates an indicator that the two-column form does not produce at all.***

Abbreviated or Complete

The form has two versions, and the choice is not free: it depends on the category the company falls into, according to size criteria — total assets, turnover, and average number of employees.

Micro-entities and small entities file the abbreviated balance sheet, with the large groups. Medium and large ones file the complete form, with over a hundred lines, where each group is broken down into elements. The economic content is the same; what differs is how much of it is visible.

The move from one category to another does not happen at the first exceedance: the criteria must be exceeded for two consecutive financial years. The rule exists precisely so that one good year does not change the reporting regime of a company that returns, the following year, to its usual size.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
existence, measurement and classification of the financial position	trial balance, maturities and lead schedules	reconcile statement lines and test current/non-current classification and set-offs	balance-sheet equality used as the sole test of correctness

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

TO REMEMBER FROM THIS CHAPTER

- The balance sheet is a photograph at a specific date; the income statement is a film of the year.
- Assets show what the company has, liabilities and equity show where it came from — so the equality holds by construction, not by luck.
- Equity is the owners' net worth: what would remain after paying all debts.
- Assets are ordered by liquidity, liabilities and equity by enforceability — that is why the two columns can also be read horizontally.
- Elements are presented NET: fixed assets minus depreciation, receivables minus impairment adjustments.
- The balance sheet does not contain the market value of the company, nor unrecognized assets — the brand, the customers, the team.

Chapter 47

The Annexes

The balance sheet and the income statement are the documents that get read. Alongside them, three more are filed — less well known — and one of them answers a question the first two never touch at all.

That question is the one a business owner asks most often, and the one the accountant finds hardest to answer: if I have profit, where is the money?

The Cash Flow Statement

The cash flow statement tracks money exclusively: how much came in, how much went out, and from which activity. It has nothing to do with the moment the revenue or expense was recognized — here, only the timing of the actual cash movement matters.

THE THREE ACTIVITIES

Activity	What It Includes	What It Shows
Operating	receipts from customers, payments to suppliers and employees, taxes	whether the business generates cash, not just profit
Investing	purchases and sales of fixed assets	whether the company is growing or divesting
Financing	loans drawn and repaid, capital contributions, dividends paid	who is financing the growth

The sum of the three must equal exactly the change in the cash balance between the beginning and the end of the year.

Here is the statement of the company from the previous chapters, generated from its own records.

CASH FLOW STATEMENT FOR THE PERIOD

Item	Amount
Cash at the beginning of the year	45.000,00
Receipts from customers	16.940,00
Payments to suppliers and employees	−15.025,00
Operating cash flow	1.915,00
Investing cash flow	0,00
Financing cash flow	0,00
Change in cash	1.915,00
Cash at the end of the year	**46.915,00**

Verification: 45,000 + 1,915 = 46,915, and 46,915 must be exactly the balance of the cash accounts in the balance sheet.

> ***Operating cash flow is the figure banks read before profit. A large profit with negative cash flow means the company is selling, but not collecting.***

This statement finally explains the paradox every business owner runs into. The profit from Chapter 45 and the cash change here are different figures, and the difference between them always has a name: depreciation, inventory growth, uncollected receivables, paid-off liabilities.

The Statement of Changes in Equity

The second annex is simpler and answers an owner's question: how did the shareholders' net worth evolve during the year.

It has one row for each equity item — share capital, reserves, retained earnings, the result for the period — and four columns: opening balance, increases, decreases, closing balance. The total closing balance must equal the equity shown in the balance sheet.

Its practical usefulness shows up at companies with capital movements: increases, distributions, loss coverage. At a company without such transactions, the only movement is the year's result — and the statement becomes a confirmation, not information.

The Explanatory Notes

The third annex is the least read and the richest. The notes explain what lies behind the figures: the accounting policies chosen, the valuation methods, the breakdown of the main line items, the commitments that don't appear on the balance sheet.

This is where you write which inventory issuance method the company uses, which depreciation periods it chose, how it calculated receivable adjustments, what litigation is ongoing, what guarantees it has given. These are exactly the decisions that the previous chapters said, every time, must be documented.

For an outside reader, the notes are the only place where the figures become comparable. Two companies with the same profit, one of which depreciates on an accelerated basis and the other on a straight-line basis, are not saying the same thing — and the difference is visible only here.

FOR THE ACCOUNTANT

The composition of the annual financial statements depends on the entity's category, according to the accounting regulations: microentities file an abbreviated balance sheet, an abbreviated income statement, and reduced explanatory notes; small entities add the full format of the income statement; and medium and large entities prepare the complete set, including the cash flow statement and the statement of changes in equity. Four observations. First: for entities not required to prepare them, the cash flow statement and the statement of changes in equity remain extremely useful management tools — the absence of a legal obligation is not an argument against preparing them internally. Second: the cash flow statement can be prepared using the direct method, based on actual receipts and payments, or the indirect method, starting from the result and eliminating non-cash items; the choice must be disclosed in the notes and kept consistent from one year to the next, in accordance with the principle of consistency of methods. Third: the notes are not a form to be filled in but a text to be drafted — the information explicitly required by the regulations is a minimum, not a limit, and omitting a material piece of information affects the fair presentation, even if all the figures are exact. Fourth: the financial statements are filed together with the written statement of the person responsible for the entity's administration, assuming responsibility for their preparation, as well as the administrators' report and, where applicable, the audit report — a set filed without these documents is incomplete, regardless of how correct the figures are.

What Comes Next

The five documents are ready. Before signing, one more operation remains, which takes ten minutes and catches most serious errors: checking the consistency between them.

Exercise 47.1 — Big Profit, Little Cash

The company reported a net profit of 90,000 lei. Cash increased in the same year by only 5,000.

Explain the difference, knowing that: depreciation for the year was 30,000; inventory increased by 50,000; receivables increased by 40,000; payables to suppliers increased by 15,000; a loan of 40,000 was repaid.

SOLUTION

We start from profit and eliminate what is non-cash or not from operations:

90,000 profit + 30,000 depreciation (an expense that was not paid) = 120,000.

− 50,000 increase in inventory (cash tied up in goods) − 40,000 increase in receivables (invoiced, not collected) + 15,000 increase in payables (received, not paid) = 45,000 operating cash flow.

− 40,000 loan repayment (financing cash flow) = 5,000 increase in cash. It checks out.

What the calculation shows: of the 90,000 lei in profit, 90,000 are real — but 90,000 lei are tied up in inventory and receivables, while 40,000 went to the bank. The company did not fabricate the profit; it tied it up.

That's why banks read operating cash flow before profit: 45,000 shows how much the business generates in CASH, while 90,000 shows how much it generates in value.

The Two Methods of Cash Flow

Operating cash flow can be built in two ways, and the result is identical — only the starting point changes, and with it, what you see along the way.

DIRECT OR INDIRECT

Method	Starts From	What It Additionally Shows	What It Requires
direct	actual receipts and payments	who the money comes from and who it goes to	records of payments by category
indirect	the result for the period	why profit differs from cash	only the balance sheet and the income statement

The method chosen must be disclosed in the notes and kept consistent from one year to the next — otherwise the two periods are no longer comparable.

The indirect method is the one that clarifies the "I have profit, I have no money" paradox, because it lists the very causes: depreciation, which reduced profit without taking out cash;

inventory and receivables, which tied up cash without touching profit; liabilities, which brought in cash without generating revenue.

The Statement of Equity: What It's Actually For

At a company with no capital movements, the statement of changes in equity looks like a formality — a single line moving, the year's result. This is exactly the case of the company in our example.

EQUITY FOR THE PERIOD

	Opening Balance	Increases	Decreases	Closing Balance
Subscribed Capital	30.000,00	0,00	0,00	30.000,00
Retained Earnings	35.833,32	0,00	0,00	35.833,32
Result for the Period	0,00	420,83	0,00	420,83
Total	**65.833,32**	**420,83**	**0,00**	**66.254,15**

The total closing balance, 66,254.15, must equal exactly the equity in the balance sheet. This is the fifth consistency check from Chapter 48.

The value of the statement shows up at companies with movements: a capital increase, a dividend distribution, a loss coverage, a revaluation. There, it answers a question the balance sheet doesn't touch — not how much the shareholders' wealth is, but WHAT it changed FROM during the year.

And the difference between these two questions is exactly the difference between a photograph and a film, which this part began with: the balance sheet shows where things ended up, the statement of equity shows by what path.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
completeness of the notes and consistency with figures and risks	disclosure checklist, contracts, policies and supporting schedules	link each disclosure requirement to the trial balance and supporting rationale	prior-year wording copied with obsolete data and risks

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The cash flow statement tracks money exclusively, across three activities: operating, investing, financing.
- The sum of the three must equal exactly the change in the cash balance between the beginning and end of the year.
- Operating cash flow is the figure banks read before profit.
- The statement of changes in equity shows the evolution of the shareholders' net worth; its total must equal the equity in the balance sheet.
- The explanatory notes contain the decisions — methods, periods, adjustments, litigation — and are the only place that makes two companies comparable.
- The set is filed together with the statement of assumption of responsibility; without it, the set is incomplete, no matter how exact the figures are.

Chapter 48

The four cross-checks to verify before signing

This chapter is a list of four checks. Together they take less than ten minutes, can be done on paper, and catch most serious errors in a set of financial statements.

It deserves to be treated as a ritual. Not because it's legally required, but because the signature on the last page creates personal liability, and those ten minutes are the cheapest thing in the entire exercise.

First: assets equal liabilities

Total assets must equal total liabilities, to the leu. Not approximately, not with an acceptable rounding difference — exactly.

As seen in chapter 46, the equality holds by construction: if it doesn't come out right, an account has fallen into two rows or into none. The most frequent cause is a new account, which appeared during the year, that the mapping doesn't know — and it doesn't announce itself, except through this discrepancy.

Second: the same result in two places

The result of the financial year appears in two documents: as a line in the balance sheet, among equity, and as the last line of the income statement.

The two must coincide. When they don't, the explanation is almost always the same: one of the documents was prepared on the trial balance before the closing of result accounts, and the other on the one after.

> ***A correct balance sheet next to an income statement showing zero is not a matched pair of documents. It's the same document prepared twice, on two different trial balances.***

Third: cash flow ending balance equals balance sheet balance

The amount at which the cash flow statement ends must be exactly the balance of the cash and bank accounts in the balance sheet. In the example from the previous chapter: 46,915 lei in both places.

This is the check that catches omissions in the flow — a forgotten bank account, a foreign-currency cash register not converted, a letter of credit treated separately. All produce the same discrepancy, and none of them shows up any other way.

Fourth: the change equals the sum of the three activities

The difference between year-end cash and beginning-of-year cash must equal the sum of the operating, investing, and financing flows. In the example: 46,915 minus 45,000 makes 1,915, and 1,915 plus zero plus zero also makes 1,915.

This check catches a different class of errors: misclassified transactions. A loan repayment recorded under operating instead of financing does not change the total change — but it completely changes the interpretation of the document, and if the sum doesn't come out right, it means a transaction was counted twice or not at all.

THE FOUR, IN A TABLE

Check	What it catches
Total assets = total liabilities	accounts mapped incorrectly or not at all
Result in the balance sheet = result in the income statement	documents prepared on different trial balances
Final cash from the flow = treasury balance	cash accounts omitted from the flow
Change = sum of the three activities	transactions misclassified or double-counted

None of them requires calculations. All they require is placing two figures side by side.

What they don't catch

It's worth saying, in the spirit of chapter 33: the four cross-checks are internal-consistency checks. They confirm that the documents agree with each other — not that what they say is true.

An overvalued inventory item, an unadjusted doubtful receivable, an expense recorded in the wrong year — all pass all four. For these there are other tools, described in their proper place: the inventory count, aging analysis of balances, comparison with supporting documents.

The cross-checks are the last gate, not the only one. Their purpose is to guarantee that, if an error still exists somewhere, it's a substantive error — not one that anyone could have caught by placing two figures side by side.

FOR THE ACCOUNTANT

The checks above are consistency requirements of the forms, and the official validator enforces them as blocking rules — a set that doesn't meet them cannot be filed. Four observations. First: besides these, the forms contain dozens of internal correlations between lines, and the validator checks all of them; running it before filing is mandatory in practice, but it doesn't replace the checks above, because it confirms the form's internal coherence, not its agreement with the underlying accounting. Second: the correlation between the opening-of-year column and the previous year's financial statements must be checked explicitly; a discrepancy there signals either an error correction from the prior year, which must be presented as such in the notes, or an incorrect carry-forward of balances. Third: for entities subject to audit or review obligations, the cross-checks are documented in the closing file together with their result, not merely with a note that they were performed. Fourth: signing the financial statements by the preparer and by the administrator engages distinct liabilities — the first for the conformity of preparation, the second for the organization of the accounting and for the accuracy of the data; it's the same division discussed in chapter 4, now arrived at the moment it becomes concrete.

What comes next

With the signature on the financial statements, the financial year is closed. But the obligations do not end there: what remains is what happens after everything has been filed — the files, the traces, and the boundary between what software does and what always remains a human's responsibility.

Exercise 48.1 — which cross-check fails

A set of financial statements shows: total assets 360,000 = total liabilities 360,000; result in the balance sheet 90,000, while the income statement closes at 0; final cash from the flow 10,000, equal to the treasury balance; change in cash flow 5,000, and the sum of the three activities 5,000.

Which of the four cross-checks fails, and what happened?

SOLUTION

The second one fails: the result in the balance sheet (90,000) does not match the one in the income statement (0).

The cause is almost always the same: the balance sheet was prepared on the trial balance AFTER the closing of the result accounts, and the income statement on the same trial balance — where the turnover of accounts class 6 and 7 is already zero.

Why the other three pass: the identity assets = liabilities remains valid after closing; the cash flow statement is built on cash accounts, unaffected by the closing.

The remedy: the income statement must be prepared on the trial balance BEFORE closing. These are two distinct trial balances, and confusing them produces an empty form that passes three checks out of four.

The point worth remembering: a set in which three cross-checks out of four pass is a WRONG set. There's no such thing as "almost correct" for a balance sheet.

What the validator checks, and what it doesn't

Before filing, the set goes through an official validator that rejects inconsistent forms. It's a good net, and a limited one, and its limit must be known: the validator looks inside the form, not outside it.

THE TWO PERIMETERS

What the validator checks	What it CANNOT check
correlations between the form's lines	whether the lines correspond to the accounting
the identity assets = liabilities	whether the assets are correctly valued
the format and mandatory nature of fields	whether the figure in the field is the true one
consistency with the prior year, where required	whether the prior year was correct

A perfectly valid set can be completely wrong. The validator confirms that the form holds together, not that it describes the company.

From this follows the correct order of checks: first the cross-checks with the accounting — the four in this chapter — then the validator. In reverse, a passed validator gives false reassurance, and the errors it cannot see remain undiscovered until an inspection.

The fifth and sixth cross-check

The four in the title are the blocking ones. There are two more that do not stop the filing and that catch equally serious errors.

CHECKS THAT DON'T BLOCK, BUT MATTER

Compared item	With	What it catches
the total of the statement of changes in equity	the equity in the balance sheet	an equity movement not presented
the opening-of-year column	the prior year's financial statements	an incorrect carry-forward, or a correction not presented in the notes

The second is the one most often skipped, because it seems like a formality. A discrepancy there means either a carry-forward error, or a prior-year error correction that MUST be explained in the notes.

It's worth noting why the second cannot be checked automatically by the validator: it does not have the prior year's financial statements. The only one who has them is the one who prepared them — which is why this check remains an obligation of the company, not of the system.

> ***Order matters: cross-checks with the accounting first, the validator afterward. It is the last gate before filing, not the first check of correctness.***

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
cross-statement consistency of the complete reporting package	all statements, trial balance, cash flow and statement of changes in equity	reperform cross-checks and investigate every difference, including forced zeros	forms manually adjusted without correcting the source trial balance

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

TO REMEMBER FROM THIS CHAPTER

- Four checks, ten minutes, done before signing — not after filing.
- Assets = liabilities, to the leu. If it doesn't come out right, an account has fallen into two rows or into none.
- Result in the balance sheet = result in the income statement; otherwise, the two were prepared on different trial balances.
- Final cash from the flow = balance of the treasury accounts in the balance sheet.
- Change in cash = sum of the operating, investing, and financing flows.
- All four are internal-consistency checks: they confirm that the documents agree with each other, not that what they say is true.

Chapter 49

Archiving

The bookkeeping is finished. The financial statements are signed and filed, the returns have receipts, the fiscal year is closed. This part is about what remains — and about the day, two or five years from now, when someone starts asking questions.

That day comes more often than people think: a tax inspection, a loan application, the sale of the company, a dispute with a partner. And the question is always the same: show me the document.

The monthly file

The archiving unit is not the document, but the month. A complete monthly file contains everything an outsider would need in order to reconstruct that month without asking anyone.

WHAT A MONTH'S FILE CONTAINS

Item	Why
Supporting documents	without them, no entry can be proven
The journal ledger and the general ledger	what was recorded, chronologically and by account
The trial balance	the position from which the returns were compiled
The VAT journals	the basis of the VAT return
The filed returns AND the receipts	a return without a receipt proves nothing
Adjustment notes	the reasoning that doesn't show in the figures
Bank statements and reconciliation	the external proof of the treasury position

The file is put together at closing, not reconstructed at inspection time. The difference shows exactly in what is missing.

> ***A reconstructed file contains what was found. A file put together on time contains what was supposed to exist. The difference between the two is exactly what an inspector is looking for.***

The year's file

On top of the twelve monthly files, an annual one is added, with the documents concerning the entire fiscal year: the financial statements with all annexes, the declaration of responsibility, the inventory register and the inventory documents, the tax records register, and the resolution approving and distributing the result.

It is worth building as a closed whole, not as a box you keep adding to indefinitely. A closed fiscal year no longer changes — and its file should have the same property.

In an electronic archive, this property can even be proven: each file receives a cryptographic fingerprint, and the entire file set receives a combined one. Any later modification to any file changes the final fingerprint, so it becomes visible. It is the digital equivalent of the seal on a paper file, and it's harder to forge.

How long to keep it

Retention periods are set by the accounting law and have been amended several times in recent years. This is one of the few figures in this book that we don't write down: it should be checked against the text currently in force, not recited from memory.

What doesn't change is the underlying principle: documents must exist for at least as long as the tax authority can still establish obligations for that period. A document destroyed before that deadline expires leaves the company defenseless exactly in the situation the document was meant to cover.

There is also a category with its own rules, worth noting separately: documents used to establish employees' pension rights. A former employee may need a certificate more than twenty years later, and the company is obligated to be able to issue it.

An electronic archive doesn't keep itself

A paper archive degrades slowly and visibly. An electronic one disappears instantly and silently — a failed drive, an expired storage account, a format nothing can open anymore.

That's why a backup that has never been restored is not a backup, but an assumption. The only proof that an archive works is its actual restoration, done periodically, as an exercise.

The second rule is just as simple and just as often broken: the copy must be kept in a different place than the original. An archive kept on the same computer as the bookkeeping solves accidental deletion and nothing else — not fire, not theft, not encryption.

FOR THE ACCOUNTANT

The retention obligation is set out in Accounting Law no. 82/1991, which establishes the retention periods for the mandatory accounting registers and for supporting documents, with a special regime for payroll records, and electronic archiving is permitted under the conditions provided by law and by the rules on financial-accounting documents. Four remarks. First: the deadlines have been amended through successive legislative interventions, and applying an expired deadline out of habit leads to the destruction of documents still needed — checking the text in force at the time of destruction, recorded in a report, is the prudent practice. Second: destruction of documents upon expiry of the retention period is done based on a report, with management's approval; undocumented destruction is, before an inspection, impossible to distinguish from loss. Third: for documents kept exclusively electronically, the authenticity of origin, integrity of content, and legibility must be ensured throughout the retention period, and the system must allow them to be printed on request; an archive in a proprietary format of a vendor that no longer exists does not meet the third condition. Fourth: the reconstruction of documents lost, stolen, or destroyed before the deadline is done according to the procedure in the rules, with a declaration and proof of the steps taken — the procedure exists precisely because the situation is foreseeable, but it cannot be applied retroactively to an archive that was never organized.

What follows

The files answer the question of what was recorded. One question remains, which the documents don't answer: who did each thing, and when.

Exercise 49.1 — the file that doesn't answer

During an inspection, justification is requested for an expense of 24,000 lei from two years earlier. The month's file contains: the invoice, the payment statement, the month's trial balance, and the VAT return with receipt. The inspector asks why the expense was considered deductible, given that the supplier's line of business is "consultancy," while the company is a bakery.

What is missing from the file?

SOLUTION

Nothing that is formally required. All the documents proving the TRANSACTION are there: that it was invoiced, that it was paid, that it was recorded, that it was declared.

What's missing is what proves the CONNECTION to the business activity: the contract, the consultant's activity report, the deliverable, the correspondence. That is, exactly what turns a real payment into a deductible expense.

The consequence: without them, the expense is non-deductible, and the related VAT could not be deducted — not because the transaction is fictitious, but because it cannot be proven that it served the business activity.

The lesson for the monthly file: the supporting document answers "what happened." For expenses where the reality of the service is not evident from the invoice, the file must also answer "what it was used for" — and that second answer must be gathered THEN, not two years later.

When the document is missing: reconstruction

The rule from chapter 9 says that without a document, nothing is recorded. It does not, however, address what happens when the document existed and was lost — and for that there is a procedure, with steps and deadlines.

THE STEPS OF RECONSTRUCTION

Step	What it produces
Reporting the loss, in writing	the date from which the deadline runs
The declaration of the person responsible for the document	the circumstances of the loss
The request for a duplicate to the issuer	proof of the steps taken
The duplicate, marked "DUPLICATE"	the reconstructed document
The reconstruction file	all of the above, together

A duplicate on its own is not a reconstruction: without the file showing why it was needed, it's just a second copy that appeared out of nowhere.

What cannot be reconstructed are documents attesting to movements of cash or valuables — receipts, fiscal receipts, cheque leaves. For these there is no duplicate: their value lies precisely in their uniqueness, and the loss is treated as a shortage, not as a document to be recreated.

The electronic archive: three conditions, not one

"We keep everything scanned" is not an electronic archive. The law requires three things at once, and an archive that meets only two of them fulfills none of the purposes for which it exists.

WHAT MUST BE ENSURED

Condition	What it means in practice	What violates it
authenticity of origin	it is known who the document comes from	a scan with no record of the source at all
integrity of content	it has not changed since archiving	editable files, without a fingerprint
legibility throughout the period	it can still be read years later	a proprietary format of a vendor that no longer exists

The third is the forgotten one. A document archived in a format that nothing can open anymore is, legally, a lost document.

From this comes a practical choice worth making consciously: keep the archive in open, widely used formats — PDF, XML, CSV — not in the internal format of the program you use today. It's the same logic behind encrypting the offsite copy with a standard utility rather than a proprietary format: recovery must not depend on the very program that was just lost.

And the destruction of documents upon expiry of the retention period is done based on a report, with management's approval. Without it, during an inspection, documented destruction cannot be distinguished from loss — and the consequences of the two are not the same.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
integrity, accessibility and preservation of the archive	file plan, index, retention policies, backups and restoration tests	select older documents and attempt to locate, read and trace them	files that exist but are illegible, unindexed or lack a verified backup

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The archiving unit is the month, not the document: the file must allow an outsider to reconstruct the month.
- A file put together at closing contains what was supposed to exist; one reconstructed at inspection contains what was found.
- The year's file is closed as a whole; in an electronic archive, cryptographic fingerprints make any later modification visible.
- Retention periods have changed several times — check the text in force, don't recite from memory.
- A backup that has never been restored is an assumption, not a copy.
- The copy must be kept somewhere other than the original: otherwise it only solves accidental deletion.

Chapter 50

Who did what, and when

Accounting records economic transactions. It does not, by itself, record human actions: who entered an invoice, who changed a price, who deleted a draft, who logged in at three in the morning.

For that there is a second log, running parallel to the accounting one, and its purpose is frequently misunderstood — including, or especially, by those who install it.

It's not surveillance

Any team's first reaction to the idea of an operations log is that someone is watching them. The reaction is natural and, in the overwhelming majority of cases, wrong.

An audit log doesn't exist to catch anyone. It exists so that an inevitable question can be answered: why does this figure look like this. And the answer "it was modified on March 14, by user X, who noted reason Y" closes the discussion in thirty seconds.

> ***An operations log protects, above all, the person who did things correctly. They're the only one who can prove it.***

Without a log, in a three-person team, every error becomes a discussion about who might have done it. With a log, it becomes a finding, and most of the time the finding is that the work was done correctly and the problem lies elsewhere.

What gets recorded

Not everything. A log that records every click becomes unreadable, and an unreadable log is equivalent to no log at all. What gets recorded are actions that change something or that concern access.

WHAT DESERVES TO BE RECORDED

Category	Examples
Authentication	successful and failed logins, with network address
Permissions	creating a user, changing a role, impersonation
Data	imports, balance pull-ins, deletions, restorations
Fiscal	submissions, downloads from the virtual space, requests to the authority
Exceptions	forcing a closing, reopening a period

The network address is recorded at authentication, where it answers a real question. On the rest of the actions it's noise repeated thousands of times a day.

Note that the list does not include ordinary reads. Who looked at a report is not useful information and, accumulated, it drowns out exactly the events that matter.

Two properties without which it serves no purpose

First: the log must be append-only. It is written to the tail and never rewritten. A log from which lines can be deleted proves nothing, because the absence of a line cannot be distinguished from the event never having occurred.

Second: it must survive the database. If the log lives in the same database it audits, it disappears exactly in the situation it existed for — a corruption, a botched restore, a deliberate deletion.

The practical solution is duplication: a live, capped record for quick reference, and a separate, append-only file included in the backups. The two complement each other, and the cap on the first is justified precisely by the existence of the second.

A log that falls silent

It's worth closing with the least obvious observation in the chapter, because it applies to any control mechanism, not just this one.

Writing to the log is, by nature, secondary: if it fails, the main action must not be blocked. No one wants an invoice to fail to save because a log file is full. The consequence, however, is that a log that can no longer write looks exactly like one in which nothing happened.

That's why the ability to write must be actively checked, not discovered when you need proof. It's the same rule as with the backups in the previous chapter and with filing declarations in chapter 38: the absence of an error signal is not confirmation.

FOR THE ACCOUNTANT

The requirement follows from the internal control obligations in the accounting regulations and, for computerized record-keeping systems, from the requirements regarding data integrity and traceability set out in the rules on financial-accounting documents and in tax audit procedures. Four observations. First: for taxpayers who submit the standard tax audit file (SAF-T), traceability is no longer just good internal practice but a substantive condition — the reported data must be reconcilable with the records, and undocumented retroactive changes produce inconsistencies that the authority's risk-analysis system identifies automatically. Second: the operations log must not be confused with the accounting journal; the former records actions on the system, the latter economic transactions, and neither can replace the other. Third: processing user identification data and network addresses falls under personal data protection regulations — the purpose, retention period, and access to the log must be established and communicated, and unlimited retention "just in case" has no legal basis. Fourth: for audited companies, the existence and operation of the log are themselves subject to verification; a system in which the administrator can delete the traces of their own actions is treated, from an internal control perspective, as if the log did not exist at all.

What's next

With the archive and the log, everything that could be recorded has been recorded. Only one chapter remains, and it's about a boundary: what, of everything the book has described, no program can do.

Exercise 50.1 — the log that falls silent

An administrator wants to find out who changed a selling price three months ago. The operations log contains nothing for that day, even though dozens of operations were carried out on that day.

What conclusions are possible, and how do you tell them apart?

SOLUTION

Three hypotheses. First: the change didn't happen then — search on other days.

Second: the action isn't among those being recorded. A log that records everything becomes unreadable, so categories are selected; if the price change isn't among them, the silence is a design decision, not a loss.

Third, the one that matters: the log COULD NOT WRITE that day. Writing to the log is best-effort — if it fails, the main action doesn't stop — so a day on which the log couldn't write looks identical to a quiet day.

How to tell them apart: if other entries exist in the log for that day, the third hypothesis falls away. If there are NONE at all, and activity was normal, it's most likely a writing problem — permissions, a full disk, a locked file.

Hence the rule: the ability to write to the log is checked ACTIVELY, through a probe, not discovered when you need proof. It's the same rule as with backups: the absence of an error signal is not confirmation.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
traceability of actions and segregation of access	immutable logs, users, roles, approvals and incidents	trace who created, changed, approved and exported each transaction	shared accounts, editable logs or unexplained administrator interventions

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- The operations log records human actions, not economic transactions — these are two different logs.
- Its purpose is not surveillance but answering "why does this figure look like this"; it protects, above all, the person who worked correctly.
- Logins, permission changes, data modifications, and exceptions are recorded — ordinary reads are not.
- It must be append-only and survive the database it audits.
- Writing to the log is best-effort, so a log that can no longer write looks like a quiet one — its capacity must be checked actively.
- A system in which the administrator can erase their own traces is treated as if it had no log at all.

Chapter 51

What a program cannot do

This book was written starting from how an accounting program works, and fifty chapters have shown how much can be automated: entries composed from document types, VAT returns compiled from records, trial balances checked, declarations generated, controls run continuously.

The closing chapter is about the other side — and it is the most important one of all, precisely because the power of automation makes its limits easy to forget.

Three things it does well

They deserve to be listed first, so that the limit stands out by contrast. A program calculates without getting tired, checks without skipping a line, and remembers without forgetting.

All three are qualities a human being lacks. A tired accountant makes calculation errors; a rushed one skips a check; anyone can forget a deadline. Nothing that follows contradicts the fact that, on these three points, the machine is decisively better.

What it cannot do

THE LIMIT, BY CATEGORY

It cannot…	Because…
say whether a transaction actually took place	a document can be compliant and false at the same time
decide whether an expense belongs to the business	the answer lies in reality, not in the data
judge whether a receivable is still recoverable	it depends on what is known about the client, not on how many days have passed
choose between equally permitted treatments	the choice commits the business for years
sign	a signature is an assumption of responsibility
answer for someone else	responsibility cannot be delegated to a software provider

All six share the same structure: they require information that does not exist in the data, or a decision that commits someone.

> ***A program answers questions about data. Accounting, at its decisive points, asks questions about reality.***

The example that sums them all up

An invoice for five thousand lei for "consulting services." The document is compliant: it has all the required elements, the supplier has a valid VAT code, the amount matches the payment on the bank statement, and the program can record it correctly without any intervention.

The only question that matters appears nowhere in the data: was the consultancy actually provided? And if it was, was it related to the business's activity?

The answer cannot be read from any field, cannot be inferred from any correlation, and cannot be checked by any rule. Someone knows it — the administrator who ordered the service — or no one knows it, which is itself already an answer.

The consequences are real: the deductibility of the expense, the right to deduct VAT, and in extreme cases, the legal classification of the transaction. All of them hinge on information that is not in the system.

Why automation does not reduce responsibility

The opposite argument is often heard: if the program does everything, the accountant is less responsible. The reality is the opposite, and it is worth understanding why.

Automation does not eliminate decisions; it moves them earlier. The choice of inventory valuation method, the depreciation period, the materiality threshold, the treatment of an unusual transaction — all of these are made once and then applied automatically to thousands of transactions.

A wrong decision made manually affects one document. The same wrong decision, embedded in an automatic rule, affects an entire year. The power of the tool increases, rather than decreases, the consequences of the judgment that configures it.

The correct division of labor

Everything the book has described ultimately suggests a simple, stable division of labor between human and machine.

The machine does what is repetitive, verifiable, and tedious: it calculates, adds, compares, flags. The human does what requires knowledge of the reality behind the documents and what carries responsibility: classifying, judging, deciding, signing.

The boundary between them is not technological but logical. It will not shift as programs advance, because it separates questions that can be answered from data from questions that cannot.

> **FOR THE ACCOUNTANT**
>
> This distinction has a precise legal counterpart, discussed in Chapter 4: responsibility for organizing and running the accounting rests with the business owner, while the accountant is responsible for the compliant preparation of records, under the Accounting Law no. 82/1991; the software provider bears no responsibility for the content of the records, regardless of the degree of automation. Four final observations. First: using an information system does not reduce the obligation to verify supporting documents with respect to the reality of the transaction — automation shifts the control, it does not eliminate it, and a procedure that provides no human verification over automatically recorded transactions is, from an internal control standpoint, an incomplete procedure. Second: the accounting policies chosen and the parameters configured in the system are professional decisions that must be documented in the accounting policies manual and maintained in accordance with the principle of consistency of methods; a parameter changed without a written decision produces an undeclared change of policy. Third: for transactions lacking economic substance or with an artificial classification, the tax authority may reclassify the form, under the Fiscal Procedure Code — a classification that is formally correct but contrary to reality is not defended by the fact that it was generated automatically. Fourth, and the one that closes the book: professional judgment cannot be delegated. It can be documented, discussed, and verified, but responsibility for it remains, entirely, with the person who signs.

Closing

The book began with a simple statement: accounting does not track money, it tracks profit. Fifty chapters later, the statement can be restated more precisely.

Accounting is the discipline of telling the truth about an economic activity, in a form that someone else can verify. Its rules seem arbitrary until you understand that each one solves a problem of trust: double-entry bookkeeping makes errors visible, the supporting document makes statements probable, the reversal entry preserves the trail of a mistake, the closing of a period makes the past stable.

A program can apply all these rules faster and more consistently than a human. What it cannot do — and what therefore remains the essence of the profession — is know whether the recorded event actually happened, and answer for the claim that it did.

Exercise 51.1 — what the machine can decide

For each item, say whether the answer can be obtained from the data or requires a human:

(a) Does the invoice amount match the base plus VAT? (b) Did the supplier have a valid code on the invoice date? (c) Was the merchandise delivered? (d) Is the chosen depreciation period the right one? (e) Does the trial balance close? (f) Does this expense belong to the business?

SOLUTION

(a) From the data. It is arithmetic; it can be fully verified automatically.

(b) From the data. The code is checked against a public registry, on the date of the transaction.

(c) REQUIRES A HUMAN. The document can be compliant and false at the same time; no correlation can distinguish a real delivery from a recorded one.

(d) REQUIRES A HUMAN. The catalog gives a range, not a fixed figure; choosing within the range commits the business for years and is a professional decision.

(e) From the data. This is exactly the check the machine does best.

(f) REQUIRES A HUMAN, and it is the most expensive question on the list. The answer is not in any field, cannot be inferred from any correlation, and cannot be checked by any rule.

Score: three out of six can be fully automated. The other three are the profession — and no advance in software will shift them, because the boundary is not technological but logical: it separates questions about DATA from questions about REALITY.

When the machine misreads

Automatic data extraction from a document has changed day-to-day work more than anything else in recent years. But it has also changed the nature of errors: they are no longer typing errors, but errors of understanding — and they look different.

HOW A HUMAN ERRS, HOW A MACHINE ERRS

	Human error	Machine error
form	a changed figure, a wrong date	a plausible value, taken from the wrong place
frequency	rare and isolated	systematic, on the same type of document
how it looks	usually stands out from the pattern	fits the pattern perfectly
how it is caught	by rereading the document	by comparing against the document, deliberately

The third row is the one that matters: a machine error looks correct. That is why automatic plausibility checks do not catch it.

The classic example is a VAT rate read from the wrong line of the invoice: 11% instead of 21%. The amount is plausible, the arithmetic checks out if the base was read from the same place, and the document appears in order. It is discovered only at the VAT return stage, or during an audit — and, in the meantime, the same mistake has repeated on every invoice from the same supplier.

> ***A human makes a mistake once. A machine makes the same mistake every time — which is easier to fix, but only after someone has noticed that it is making it.***

Why confirmation is not a formality

The step where the operator confirms the data read seems like a checkbox, and by the hundredth invoice it becomes one. Yet it is the only point in the entire flow where a human looks at the document and the figure at the same time.

A well-designed flow does not require confirming every field, only the ones that matter and the ones with low confidence: the rate, the counterparty, the total. The rest is accepted tacitly — not out of carelessness, but because attention demanded everywhere is attention given nowhere.

And when a business chooses automatic posting — without confirmation — the decision must be made knowingly: time is gained, and exactly the moment when one would have noticed that the machine is systematically misreading is lost. The reasonable compromise is automatic posting only when ALL checks pass, as shown in Chapter 13, plus spot-checking of what has been posted.

What remains, in the end

The book ends where it began: with two questions. The first — how much have I earned — received an answer that can be calculated. The second — what do I have and to whom do I owe it — likewise.

What cannot be calculated is whether they are true. Their truth depends on documents that were read, classifications that were chosen, estimates that were made — and each of these is someone's decision. Accounting does not produce the truth; it produces a verifiable statement, and someone signs it.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
control over automation while preserving human judgment	rules, versions, tests, exceptions, confirmations and model log	test boundary cases and manually review high-risk transactions	broad automation with no owner, thresholds or error monitoring

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY TAKEAWAYS FROM THIS CHAPTER

- A program calculates, verifies, and remembers better than any human — on these three points, the matter is closed.
- It cannot know whether a transaction actually took place: a document can be compliant and false at the same time.
- It cannot decide whether an expense belongs to the business, cannot choose between permitted treatments, and cannot sign.
- Automation does not reduce responsibility: it moves decisions earlier, and a wrong decision affects a year, not a document.
- The boundary between human and machine is logical, not technological: it separates questions about data from questions about reality.
- Professional judgment can be documented and verified, but it cannot be delegated.

Chapter 52

Accounting policies, estimates, errors and materiality

The same 40.000 lei difference can represent three entirely different matters: a new accounting policy, a revised estimate or a prior-period error. The amount is identical; the treatment, affected period, account and note disclosure are not. Professional judgment begins with diagnosing the nature of the change, not with choosing debits and credits.

> ***Classify the issue correctly before selecting the journal entry. Flawless bookkeeping applied to a wrong classification still produces misstated financial statements.***

Hierarchy that prevents improvisation

FROM RULE TO RECORD

Level	Role	Document proving it
Accounting regulation	sets the mandatory treatment and the permitted options	Accounting law and OMFP nr 1.802/2014, in applicable form
Entity policy	selects consistently among permitted options and defines thresholds	Policy manual approved by the Director
Procedure	defines who applies the policy, when, using which evidence and subject to which control	Operational procedure, approval flow, checklist
System configuration	translates the decision into accounts, useful lives, rates and automated rules	Configuration log and acceptance test
Posting	records the effect of a specific transaction	supporting document, calculation and journal entry

A software parameter is not an accounting policy. It merely implements a policy that must exist, be approved and remain explainable without access to the software.

Classification test in four questions

POLICY, ESTIMATION, ERROR OR NEW EVENT

Situation	The decisive question	Principle treatment
Policy change	Has the basis, principle or method of recognition / evaluation / presentation changed?	only when required by regulation or when the new policy provides more reliable and relevant information; apply and disclose it under the relevant rules
change in estimate	was the original information reasonable, with new data or circumstances arising later?	prospectively, in profit or loss for the period of change and, where applicable, future periods
prior- period error	at the reporting date there was information available, but were they omitted or misused?	correct under the entity’s materiality policy; material prior-period errors are corrected through retained earnings
Current period event	did the economic event arise now rather than exist at the previous reporting date?	current recognition according to the nature of the operation without a "correction" label

The best indicator is the quality of the information available when the original decision was made. An estimate that later proves inaccurate does not automatically become an error.

accounting policy is not a fiscal choice

Accounting policies must produce a true and fair view under the applicable accounting regulations; tax rules determine the taxable base. The values may coincide, but that does not merge the two calculations. An item may qualify as a fixed asset for accounting purposes because of its nature, use and the entity’s capitalisation policy, even when its value is below the 5.000 lei tax threshold applicable from 2026. Track the difference in the tax records register; do not “solve” it by distorting the accounting classification.

THREE FILES SUPPORTING THE SAME DECISION

Folder	Question	Example of conclusion
Accountant	which treatment faithfully reflects the transaction, and which policy applies?	equipment recognised as an asset; 36-month useful life; zero residual value
Tax	What deduction, ceiling or adjustment does the Tax Code admit?	tax treatment tracked separately, with authority documented and the difference reconciled
Internal control	who approves, what evidence is there and how to verify consistent application?	technical report, approval, register of fixed assets and annual test

materiality: not a magical percentage, but a conclusion

Information is material when omitting or misstating it could influence users' decisions. Size is only the first measure. Nature can make a small amount material: a transaction with a director, a covenant breach, turning a loss into profit, concealing fraud, crossing a tax threshold or affecting the right to distribute dividends.

MATERIALITY ASSESSMENT

Test	What to document	Review warning
Quantitative	appropriate benchmarks — revenue, assets, profit or loss, equity — plus the percentage and rationale	chosen benchmark only to avoid correction
Qualitative	related parties, compliance, fraud, management remuneration, covenants and statutory thresholds	The amount is small, but it changes a conclusion or hides the nature of the transaction
Individual and aggregate	single error and total errors not corrected with the same cause	many amounts below the threshold treated separately, although together they are material
Extended effect	periods, accounts, declarations and notes affected	accounting correction without analysis of tax returns

Set the threshold before the review and reassess it when actual results differ substantially from expectations. Do not invent it after discovering an error.

How to correct without rewriting history

Under OMFP No. 1.802/2014, material prior-period errors are corrected through retained earnings, using account 1174. Immaterial errors may be corrected through current-period profit or loss when the entity's policy consistently provides for that treatment. Financial statements already approved and filed are not rewritten in the accounting records; the nature and effect of the correction are disclosed where required. Any affected tax returns are assessed separately and amended when necessary.

> ***Account 1174 is not a catch-all for old problems. Use it only after demonstrating that an error exists, belongs to a prior period and is material under the documented policy.***

Professional judgment memorandum

MINIMUM CONTENT

Section	What another reviewer must be able to reconstruct
Facts	timing, contracts, amounts and information available at each time
Problem	the precise accounting question without anticipating the answer
Criteria	applicable regulation, entity policy and rejected alternative
Analysis	application of criteria to facts, materiality and collateral effects
Conclusion	treatment, period, accounts, presentations and person approving
Follow-up	recalculation, amended returns, disclosures, future adjustments and deadline

FOR THE ACCOUNTANT

Tailor the accounting policies manual to the entity's actual operations; do not copy it wholesale from another entity. For every area involving a choice or estimate — inventories, capitalisation, depreciation, receivables, provisions, foreign exchange and materiality — document the owner, data source, review frequency and control. Support an estimate change with new information and apply it prospectively. Prove an error using information that existed and could have been used at the original date. Justify a policy change by a new requirement or by more reliable and relevant information. After every correction, reconcile the trial balance, financial statements, tax records register and returns; an accounting correction does not automatically amend the tax obligation.

Exercise 52.1 - three changes that seem the same

At 31 December 2026, three situations arise: (a) the remaining useful life of a machine is shortened because new technical data indicate lower expected production; (b) a material November 2025 invoice, received and approved at that time, was not recorded; (c) the entity wants to change its inventory valuation method solely to improve profit.

Classify each situation and identify the supporting document or treatment in principle.

SOLUTION

(a) Change in estimate: the technical information is new. Recalculate depreciation prospectively over the revised remaining useful life and carrying amount; do not restate prior-year depreciation if the former estimate was reasonable.

(b) Prior-period error: the information existed and was available. Assess materiality individually and in aggregate; if material, correct the accounting records through retained earnings and assess the tax effect and any amended returns separately.

(c) The policy change is not justified. A desire to alter profit does not produce more reliable and relevant information and breaches consistency; retain the existing method.

The file contains the chronology, information available at each date, materiality assessment, authority, rejected alternative, effect calculation and approval.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
correct classification of policies, estimates and errors	memorandum, policies, dated information, materiality assessment and approvals	reconstruct the information then available and verify prospective or retrospective treatment	account 1174 used without demonstrating both a prior-period error and materiality

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- A policy selects and applies an accounting basis; an estimate measures an uncertain amount; an error misuses information that already existed.
- The change in estimate is prospective; the significant error in previous years is corrected by retained earnings.
- materiality is quantitative and qualitative, individual and aggregated; there is no universal percentage that replaces reasoning.
- Keep the accounting and tax analyses distinct and reconcile their effects; never subordinate the true and fair view to a tax advantage.
- A professional conclusion contains facts, criteria, analysis, alternative, effects, approval and follow-up.

Chapter 53

Provisions, subsequent events and going concern

Year-end closing is not limited to counting items that exist. It also requires recognising obligations that do not yet have an invoice, final amount or certain due date, and using information arising after 31 December to understand the conditions that actually existed at 31 December.

> ***Uncertainty is not a reason to omit an item. It is a reason to identify the obligation, assess the probability of an outflow and develop the best supportable estimate.***

Decision tree for an uncertain obligation

PROVISIONS, CONTINGENT LIABILITY OR NOTHING TO REPORT

Test	If yes	If the answer is no
Is there a current, legal or implicit obligation generated by a past event?	continue the assessment	no provision is made for a mere intention or future operating cost
Is an outflow likely?	continue the recognition assessment	consider disclosure as a contingent liability unless the possibility is remote
Can a credible estimate be made?	recognise a provision at the best estimate	rare case: disclose the nature and the inability to estimate where disclosure is required
Is the risk remote?	usually not recognised and not presented	otherwise disclose the nature, uncertainties and estimable financial effect

The management's plan to repair a machine next year is not a present obligation. The guarantee granted to customers for sales already made may be, even if no one has submitted an application yet.

Estimating a provision

The best estimate is not the most prudent amount or the amount the management hopes to pay. For a large population of obligations, the probability-weighted expected value can best describe the exposure. For an individual obligation, the most likely result may be the starting point, adjusted if other results have a significant probability. Risks, uncertainties, repayments from third parties and the effect of value over time shall be treated according to regulation, without doubling adjustments.

EXAMPLE: PRODUCT GUARANTEES

Scenario	Probability	Estimated cost	Weighted value
without defects	75%	0	0
minor defects	20%	40.000	8.000
major defects	5%	160.000	8.000
Estimated provision			**16.000**

The calculation is only the numerical result. The file must also support the sales population, defect history, product changes and approval of the assumptions.

Review provisions at each balance-sheet date and adjust them to the current estimate. Reverse a provision to income when an outflow is no longer probable. Use it only for the obligation for which it was recognised; it is not a reserve for smoothing profit between years.

Events after the balance sheet date

The period between the balance-sheet date and the date the financial statements are authorised for issue is not informationally closed. Classify events arising in that interval by what they evidence: conditions existing at the balance-sheet date or conditions arising afterwards.

ADJUSTING EVENT OR DISCLOSURE ONLY

Event	What does it prove?	Consequences
bankruptcy in February of a client with serious difficulties at 31 December	confirms impairment of the receivable existing at the balance-sheet date	adjust the receivable at 31 December
final judgment in a dispute confirming the existing obligation to 31 December	clarifies the amount of a present obligation	adjust the provision or recognise the liability
significant fire in February	creates a new condition after the balance-sheet date	does not adjust values to 31 December; the nature and estimated effect shall be shown if it is significant
March decision to buy a subsidiary	is a subsequent decision	disclose if material, without retrospective recognition

The invoice, judgment or payment date does not determine the treatment on its own. The decisive question is which condition existed at the balance-sheet date.

Register of subsequent events

A professional does not wait for events to reach accounting by chance. Send written enquiries to management, legal counsel, sales and treasury; inspect subsequent receipts and payments, minutes of governing bodies, new contracts, notices, court portals and lender correspondence. Record the event, date identified, condition existing at year-end, adjusting/non-adjusting conclusion, amount and disclosure.

Going concern: a conclusion, not a tick

Financial statements are normally prepared on a going-concern basis. That basis is no longer appropriate when the governing bodies decide to liquidate or cease operations, or when no realistic alternative exists. Uncertainties that may cast significant doubt must be assessed and clearly disclosed. The director's declaration required by the Accounting Law does not replace its supporting analysis.

GOING-CONCERN FILE

Zone	Evidence	Professional test
Liquidity	monthly cash flow, maturities, credit lines	minimum balance, months with deficit, sensitivity to late receipts
Financing	contracts, covenants, confirmation and documented discussions with the bank	breaches, concentrated maturities and non-binding sources assessed separately
Operational	orders, main customers, critical suppliers, capacity and staff	dependencies, losses on contracts and achievable plans
Legal and tax	litigation, enforcement, overdue liabilities, inspections and payment arrangements	Possible outflows and effect on payment capacity
Management plans	measures, responsibilities, deadlines and approvals	feasibility, management control of the measure and subsequent results
Subsequent events	receipts, payments, contracts and financing up to authorisation	confirm or contradict the forecast assumptions

A promise of a capital contribution is not available cash unless supported by a resolution, identified funds and demonstrated financial capacity.

Baseline scenario, severe scenario, response plan

Start the cash-flow forecast from reconciled bank balances and receivables and liabilities by due date, not from the annual income budget. Use approved assumptions for the base case. A severe but plausible case delays receipts, reduces sales or removes uncertain funding. For every shortfall, state the response, date, owner, amount and whether the action is under the entity's control. Conclude whether a material uncertainty exists and which disclosure is required.

FOR THE ACCOUNTANT

At closing, obtain evidence beyond the accounting records: the lawyer's letter, warranty data, complaints, onerous contracts, announced restructuring decisions, environmental obligations and minutes of management meetings. Reconcile each provision from opening balance through additions, utilisation and reversals to closing balance; document tax deductibility separately because it does not determine accounting recognition. Maintain the subsequent-events register until the statements are authorised. For going concern, retain the forecast, sources for assumptions, sensitivity tests, approved plans, subsequent actual results and minutes of the discussion with the director. A generic note cannot cure a missing analysis.

Exercise 53.1 - dispute, client and liquidity

At 31 December, the company is party to litigation begun in June. Counsel estimated a probable loss of between 80.000 and 120.000 lei. In February, the court issues a final award of 105.000 lei. Also in February, a major customer enters insolvency; at 31 December its balance had been overdue for 150 days and negotiations had failed. Paying the 105.000 lei creates an April cash shortfall.

Determine the effects on the 31 December financial statements and the going-concern file.

SOLUTION

The February judgment confirms the obligation existing at 31 December. Adjust the provision to 105.000 lei and document the legal information and the date the financial statements are authorised.

The customer's insolvency confirms impairment indicators existing at 31 December. Estimate recoverable value and adjust the receivable; the later opening of proceedings does not turn the pre-existing condition into a new event.

Both adjustments go into the cash forecast. The maturity of the payment, receivable recovery, credit lines and realistic management measures shall be tested in a severe but plausible scenario.

The going-concern conclusion does not follow automatically from the shortfall. It depends on its scale and duration, committed funding, controllable actions and adequate disclosure of uncertainties.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
completeness of uncertain obligations and appropriateness of the going-concern basis	legal correspondence, provisions, subsequent events, cash flows and scenarios	test recognition criteria, the estimate, subsequent updates and liquidity sensitivity	provision used for profit smoothing, or going concern supported only by promises

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- A provision requires a present obligation from a past event, a probable outflow and a reliable estimate.
- Review a provision and use it only for its original purpose; it is not a profit-smoothing instrument.
- A subsequent event adjusts the statements when it evidences a condition existing at year-end; a new condition may require disclosure only.
- Support going concern with cash flows, maturities, sensitivities and feasible plans, not a generic declaration.
- Document accounting treatment and tax deductibility separately.

Chapter 54

Related parties, shareholders, capital and financing

Cash moving between a company and its shareholders looks like any other cash in the bank statement. In substance it may be capital, a loan, a dividend, an expense advance, a reimbursement or an unsupported withdrawal. Each classification changes the rights, risk, maturity, tax and sometimes the legality of the payment.

> ***The shareholder relationship is not a supporting document. "Money paid in" and "money taken out" describe the movement; the contract, resolution and economic substance determine its accounting nature.***

First: map the related parties

Identification is not limited to direct shareholders. Map direct and indirect control, joint control, significant influence, directors and key management, relevant relatives and entities they control, as well as linked enterprises under tax legislation. Accounting, tax and company-law definitions do not perfectly overlap; apply the definition in the instrument requiring each test.

REGISTER OF RELATIONS

Field	Why does it matter	Test
Person / entity and beneficial owner	identify the relationship beyond the partner's name	Trade register, declarations, group organisation chart
Type of relationship and period	control may change during the year	articles of association, resolutions, contracts and effective entry/exit dates
Transactions and balances	allows analysis of completeness and presentation	subledgers by counterparty, confirmations and intragroup reconciliation
Conditions and price	separates the economic substance from the benefit granted to the affiliate	contract, comparability analysis, price policy
Approvals and conflicts	demonstrates governance over the transaction	shareholders'/directors' resolutions and declarations of interest

Capital or loan?

SUBSTANCE OF SHAREHOLDER FINANCING

Item	Capital	Loan
Right to repayment	no ordinary maturity; repayment follows capital-reduction procedures	exists under contract and legal restrictions
Remuneration	dividend only from distributable profit and after a valid resolution	interest when contractually agreed and legally and fiscally supportable
Risk	absorbs losses first	a shareholder receivable that may become subordinated or legally/contractually restricted
Documents	resolution, amended constitutional document, subscription and payment	contract, amount, currency, maturity, interest, guarantees, approvals
Common accounts	456, 1011, 1012 by stage	4551 principal and 4558 interest, with separate subledgers

The label used by the parties is evidence, not the conclusion. Financing with no contract, maturity and a perpetually rolled balance requires a fresh assessment of substance and presentation.

Interest between related parties requires three distinct analyses: accrual accounting over the financing term; arm’s-length pricing and tax documentation; and applicable deductibility limits for borrowing costs. Non-payment does not eliminate accrued expense or income when a contractual obligation exists. Recording interest does not prove that its rate is at arm’s length.

Money withdrawn by a shareholder

CLASSIFYING THE WITHDRAWAL

Question	Possible treatment	risk indicator
Is there company expense and documents?	advance for settlement, followed by documents and refund of the difference	old balance, round amounts, personal documents
Is there a legally distributed dividend?	account 457 and payment/set-off, with the related tax and returns	payment before a resolution or in excess of distributable profit
Is there a real loan from the company?	only after analysis of legal capacity, approval, conditions and restrictions	no contract, no maturity, no interest, only to the associate
Is it work / mandate remuneration?	the corresponding income treatment and payroll/tax obligations	recurring payments labelled as “advances”
There is no proven basis	recognise a clearly identified receivable and escalate it to management; do not conceal it in cash or expenses	artificial year-end netting

Distribution and payment test in 2026

A shareholders’ resolution cannot make an amount distributable when the law prohibits distribution. Before declaring a dividend, verify determined and approved profit, lawful loss coverage, reserves, net assets, contractual restrictions and interim-dividend status. The dividend tax is 16% for distributions governed by the regime effective from 1 January 2026, but the rate is only one of the tests.

COMPANY RESTRICTIONS WITH DIRECT ACCOUNTING EFFECT

Situation	Practical consequence	Folder control
Distributed interim dividends	until regularisation, the company does not grant loans to members / shareholders or affiliates under the conditions of the legal restriction	resolutions, payments, balances in accounts 455/461 and annual settlement
Net assets below half of subscribed share capital	dividends and repayments of shareholder/related-party loans are restricted until net assets are restored, under the applicable rules	net-assets calculation, subscribed capital, resolutions and subsequent payments
share capital below the legal minimum	plan the increase within the deadline; do not cosmetically inflate equity through set-offs lacking due process	turnover, articles of association, paid-in capital and compliance timetable

The rules introduced by Law No 239/2025 have effect from 18 December 2025. For existing companies, the transitional term for the new minimum capital should be followed up to 18 December 2027.

For newly incorporated SRLs, minimum share capital is 500 lei. For limited-liability companies whose turnover exceeds 400.000 lei, the minimum is 5.000 lei, subject to the application and transition rules in Law No. 239/2025. Treat these as volatile statutory parameters: verify them before each decision rather than copying the prior-year file.

Confirmation and intra-group reconciliation

Confirm related-party balances bilaterally by currency, document and nature. Break differences down into in-transit transactions, exchange rates, one-sided invoices, set-offs, interest and classification differences. Agreement on the amount does not prove correct classification: one entity may show a loan while the other shows an advance, with totals agreeing perfectly.

ANNUAL PACKAGE FOR EACH AFFILIATE

Sheet	Content
Relationship	beneficial owner, control, period and relevant definitions
Movements and balance	invoices, payments, offsets, loans, interest and balance per currency
Conditions	contract, maturity, price, guarantees and comparability
Confirmation	External response, differences, explanations and adjustments
Disclosure and tax	notes, returns, transfer pricing, withholding tax and deductibility, as applicable

FOR THE ACCOUNTANT

Maintain separate subledgers for every shareholder and nature: subscribed/paid-in capital, loan principal, interest, dividends, advances and other receivables. Do not offset balances merely because they concern the same person; set-off requires a documented right and intention. Update the related-party map annually and obtain management's completeness representation. Establish the basis for every shareholder payment before payment, not at year-end. Calculate and retain net assets before dividends and financing repayments; verify the restrictions in Law No. 239/2025, interim-dividend settlement, arm's-length terms and tax effects. Present a related-party transaction according to substance even when the trial balance is closed and both parties confirm the amount.

Exercise 54.1 — the shareholder requests 200.000 lei

The company distributed interim dividends in September 2026. In November, the shareholder requests repayment of an old 200.000 lei loan plus another 50.000 lei "until next month". In the latest trial balance, net assets are below half of subscribed share capital. No contract exists for the 50.000 lei.

Determine the checks and the pre-payment control conclusion.

SOLUTION

Payment shall be stopped until the basis and restrictions are documented. The affiliation relationship shall not authorise the transfer.

For those 200.000 lei check the confirmed balance, contract and maturity, but also the restriction applicable to the repayment of loans when the net asset is less than half of the capital. The existence of the accounting debt does not automatically mean that payment is now allowed.

For the 50.000 lei, establish the proposed nature of the transfer. After interim dividends have been distributed, granting a loan to a shareholder or related party before settlement is subject to the statutory restriction; the contract, approval and terms are also missing.

The file contains the net-assets calculation, dividend resolutions, settlement status, account 455 ledger, old contract, legal and tax analyses and written communication to the director. Do not use account 542 or the cash account to bypass the conclusion.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
substance and legality of transactions with shareholders and related parties	related-party map, contracts, confirmations, net-assets calculation and resolutions	reconcile by nature and verify restrictions before payment	unsupported withdrawals, artificial set-offs or non-arm's-length terms

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- Build the related-party map from control and substance, not only the list of direct shareholders.
- Capital, loans, dividends, advances and remuneration create different rights and require different evidence; a bank statement does not classify them.
- The intragroup balances shall be confirmed by nature, not only as a total.
- In 2026, the net asset and interim dividends may block payments to associates even if there is an accounting balance.
- Accounting treatment, company-law validity, arm’s-length pricing and tax effect are four distinct tests.

Chapter 55

Working papers and professional review

A trial balance can be correct even when nobody can still explain why. Working papers turn the result from a collection of files into a chain of assertions, evidence, procedures and conclusions that another professional can reperform.

> ***A check proves that someone checked. A worksheet proves what was checked, against what criteria, with what evidence, by whom, when and with what conclusion.***

Assertions: what a figure actually states

ASSERTIONS USED IN A REVIEW

Assertion	Question	Typical procedure
Existence / occurrence	the asset, liability or transaction exists?	inspection, external confirmation, document and proof of delivery
Completeness	missing something that needed to be recorded?	search for unrecorded liabilities, sequence tests and subsequent payments
Rights and obligations	the entity controls the asset or owes the amount?	contracts, securities, clauses, legal confirmation
Valuation and allocation	are the amount, estimate, exchange rate and adjustment correct?	recalculation, ageing, recoverability and external sources
Cut-off	is the transaction in the right period?	documents immediately before and after closing, goods receipts and dispatch records
Classification and presentation	Does the account, maturity and explanatory note state the actual nature?	contract, mapping to the reporting form and disclosure checklist
Accuracy	the data, quantities and calculations are accurate?	recalculation and agreement to source

Design the procedure around the assertion. A customer confirmation tests existence of the receivable well, but provides little evidence about completeness of supplier liabilities.

From risk to procedure

PLANNING MATRIX

Item	Content
Population and balance	accounts, movements, number of items, currencies and locations
Inherent risk	complexity, estimation, fraud, volume, legislative change and unusual transactions
Relevant control	who prevents or detects the error, frequency and evidence of operation
Assertion at risk	what can be wrong: existence, completeness, evaluation, cut-off or presentation
Response	procedure, selection, period, owner and expected evidence
Result	Exceptions, extension of the test, adjustment and conclusion

A large balance does not automatically mean high risk, and a zero balance may carry a high completeness risk. Planning is not a descending sort of the trial balance.

working materiality and uncorrected errors

Financial-statement materiality defines what could influence a user. Performance materiality is lower, reducing the risk that undetected and uncorrected misstatements together exceed the final threshold. Also set a clearly trivial level, but never use it to dismiss qualitative errors, fraud or related-party transactions.

DIFFERENCES REGISTER

Field	Review question
Fact and cause	is the error isolated or the symptom of a wrong rule applied to the entire population?
Known/projected amount	how much is the error identified and what does it indicate for the untested elements?
Periods and declarations	does it affect this year, previous years, VAT, profit, wages or electronic reporting?
Qualitative	change the profit at loss, a legal threshold, a covenant, remuneration or the nature of a relationship?
Correction	has the journal entry been posted, verified and propagated to every deliverable?
Undecided / uncorrected	Who accepted the risk, why and what aggregate effect remains?

Evidence: sufficient and appropriate

Sufficiency concerns quantity; appropriateness concerns relevance and reliability. One hundred copies of internal invoices do not compensate for missing evidence that a service was performed. Evidence obtained directly from an independent source is generally more reliable than an oral explanation; a controlled original is stronger than a file of unknown provenance; documentary evidence is easier to verify than memory. No hierarchy is absolute: the procedure must address the assertion.

WHAT MAKES A SELF-CONTAINED WORKING PAPER

Component	Practical standard
Title and objective	says the balance, period, entity and assertion tested
Source	identify the exact report, extraction date, parameters and data owner
Link to the trial balance	reconcile the working-paper total to the account and explain every difference
Procedure	describe what has been done, not only the result "OK"
Selection	define the population, method, criterion and chosen elements
Exceptions	show nature, value, cause, extent and solution
Conclusion	answer the objective and identify required adjustments or disclosures
Preparation and review	name, date, signature, observations and proof of closure

Sampling without self-deception

Selection does not begin with “the first ten invoices”. Define the complete population and the purpose of the test. Test all individually material or specifically risky items. Select the remainder randomly, systematically or by risk, but limit the conclusion to what the method supports. A selection aimed only at exceptions may find problems, but it cannot support a statistical conclusion about the entire population.

EXAMPLE OF SUPPLIER STRATIFICATION

Layer	Response
Significant individual balances	100% testing, confirmation or alternative procedures
Debit, unusual and related-party balances	testing directed at nature, classification and recoverability
Rest of the population	representative selection linked to the objective and performance materiality
Balance zero, risk of completeness	subsequent payments, unrecorded documents and sequences, not zero balance confirmation

Review: the preparer cannot see every assumption they made

The reviewer assesses the objective, source, link to the trial balance, logic of the procedure, conclusion and propagation of adjustments. The reviewer need not mechanically repeat every step, but examines judgmental areas, estimates, exceptions, unusual transactions and changes from the prior year in greater depth. A review note remains open until the response is evidenced and its effect followed through; “discussed” is not a resolution.

ANNUAL-FILE PYRAMID

Level	Content	Link
Financial statements and declarations	signed deliverables and filing receipts	each line cross-references to a lead schedule
Lead schedules	balances by caption, movements, comparisons and conclusions	link to the final trial balance and detailed schedules
Detailed sheets	Reconciliation, estimates, selections, confirmations and calculations	identify the supporting evidence
Evidence	contracts, invoices, extracts, external replies, minutes	single index and provenance
Problem Register	errors, open points, adjustments and decisions	show closure and approval of each point

Closure of folder

Before signing, verify that the final trial balance is the one used in every deliverable, all approved adjustments are posted, uncorrected differences are aggregated, disclosures are complete, subsequent events are updated and management’s representation addresses the actual issues. After filing, logically lock the file: later additions identify author, date and reason without deleting the original trail.

FOR THE ACCOUNTANT

Index the permanent file separately from the current-year file. The permanent file contains constitutional documents, long-term contracts, policies and systems descriptions; the annual file contains the trial balance, lead schedules, tests, estimates, tax work, financial statements and filing receipts. Each paper states its objective, assertion, source, procedure, result, conclusion, preparer and reviewer. Link financial-statement lines to the trial balance and returns to their registers. Record all differences, including corrected ones, to reveal systemic errors. Maintain one open-points list and do not sign while a material point lacks evidence, adjustment or an approved conclusion.

Exercise 55.1 — designing the receivables review

Trade receivables total 2.400.000 lei across 1.800 items. Two customers account for 900.000 lei; credit balances total 70.000 lei, related-party receivables 250.000 lei and balances older than 180 days 400.000 lei. Performance materiality is 120.000 lei.

Design the review response without calculating a statistical sample size.

SOLUTION

First reconcile the complete listing to the trial balance and verify the report date and parameters. A selection has no sound basis without a complete population.

Test both large customers in full. Analyse credit balances for classification as liabilities or advances. Test related parties separately for existence, terms and disclosure. Test old receivables for valuation and subsequent receipts.

Use an appropriate representative selection from the remainder to test existence and accuracy. Design separate procedures over documents around the balance-sheet date for completeness of revenue and cut-off; balance confirmations alone do not address those assertions.

Evaluate exceptions individually, project them where the method requires and aggregate them in the differences register. Conclude separately on existence, valuation, classification and presentation.

PROFESSIONAL WORKING PAPERS

Objective	Evidence to retain	Review procedure	Risk indicator
traceability of the professional conclusion to every reported line	index, risk matrix, lead schedules, evidence and open points	select one line and reperform the trail through the trial balance, procedure, exceptions and approval	tick marks with no procedure, source, author, date or conclusion

The conclusion is dated and signed by the preparer; the reviewer documents each review note and its resolution. Cross-references must allow the trail back to the trial balance, supporting document and deliverable to be reperformed.

KEY POINTS FROM THIS CHAPTER

- Begin the review with risk and assertion, not the account and balance size.
- Sufficient evidence is not necessarily appropriate; relevance to assertion decides its value.
- A self-contained working paper identifies its source, procedure, selection, exceptions, conclusion, preparer and reviewer.
- Aggregate errors qualitatively as well as numerically; a systemic cause requires extending the procedure.
- The final file must allow the path from document and judgment to every signed line to be reperformed.

Appendix A

Chart of accounts, by class

The chart of accounts is the complete list of "drawers" where an amount can be placed. This appendix reproduces it as used in the practice of a small or medium-sized business, grouped into the eight classes, with the normal balance side for each account.

It should be read vertically, not from beginning to end. The first digit gives the class, i.e. the nature of the account; the second and third digits detail it further. An account starting with 4 concerns a relationship with someone outside the company; one starting with 6 is an expense. This rule alone clears up half of a beginner's questions.

> ***The normal balance side is not a convention to memorize, but a consequence: assets increase on the debit side, liabilities and equity on the credit side. A balance on the wrong side is, almost always, an error — see chapter 32.***

Class 1 — Equity

Where the money that doesn't need to be returned soon came from: the shareholders' contribution, the profit kept in the company, reserves, long-term loans.

CLASS 1: 15 ACCOUNTS

Account	Name	Nature	Normal balance
1011	Subscribed, unpaid capital	liability	credit
1012	Subscribed, paid-in capital	liability	credit
105	Revaluation reserves	liability	credit
106	Reserves	liability	credit
1061	Legal reserves	liability	credit
1068	Other reserves	liability	credit
117	Retained earnings	dual-nature	either
1171	Retained earnings representing unappropriated profit or uncovered loss	dual-nature	either
1174	Retained earnings arising from the correction of accounting errors	dual-nature	either
121	Profit or loss	dual-nature	either
129	Profit appropriation	asset	—
151	Provisions for risks and expenses	liability	credit
1621	Long-term bank loans	liability	credit
167	Other loans and similar liabilities (leasing)	liability	credit
1687	Interest related to other loans	liability	credit

Class 2 — Fixed assets

Goods used for more than one year: buildings, equipment, vehicles, licenses — and their depreciation, which reduces their value year by year.

CLASS 2: 14 ACCOUNTS

Account	Name	Nature	Normal balance
205	Concessions, patents, licenses	asset	—
208	Other intangible fixed assets	asset	—
211	Land and land improvements	asset	—
212	Buildings	asset	—
2131	Technological equipment (machinery, plant)	asset	—
2133	Vehicles	asset	—
214	Furniture, office equipment	asset	—
231	Tangible fixed assets under construction	asset	—
267	Long-term receivables	asset	—
2678	Other long-term receivables (guarantees)	asset	—
280	Amortization of intangible fixed assets	liability	credit
2801	Amortization of intangible fixed assets	liability	credit
281	Depreciation of tangible fixed assets	liability	credit
2813	Depreciation of vehicles	liability	credit

Class 3 — Inventory

What is bought or produced to be sold or consumed: goods, raw materials, finished products.

CLASS 3: 11 ACCOUNTS

Account	Name	Nature	Normal balance
301	Raw materials	asset	—
302	Consumable materials	asset	—
3021	Auxiliary materials	asset	—
3022	Fuel	asset	—
303	Low-value/short-lived items (inventory objects)	asset	—
331	Work in progress	asset	—
332	Services in progress	asset	—
345	Finished goods	asset	—
371	Goods (merchandise)	asset	—
378	Price differences on goods (trade markup)	liability	credit
381	Packaging	asset	—

Class 4 — Third parties

Relationships with others: customers, suppliers, employees, the state. The largest class, since almost everything passes through it.

CLASS 4: 41 ACCOUNTS

Account	Name	Nature	Normal balance
401	Suppliers	liability	credit
403	Bills payable	liability	credit
404	Suppliers of fixed assets	liability	credit
405	Bills payable for fixed assets	liability	credit
408	Suppliers — invoices not yet received	liability	credit
409	Suppliers — debtors (advances)	asset	—
4111	Customers	asset	—
4118	Doubtful or disputed customers	asset	—
413	Bills receivable from customers	asset	—
418	Customers — invoices to be issued	asset	—
419	Customers — creditors (advances)	liability	credit
421	Personnel — salaries payable	liability	credit
423	Personnel — material assistance payable	liability	credit
425	Advances granted to personnel	asset	—
427	Payroll deductions owed to third parties	liability	credit
4282	Other receivables related to personnel	asset	—
4315	Social security contribution (CAS)	liability	credit
4316	Health insurance contribution (CASS)	liability	credit
436	Labor insurance contribution (CAM)	liability	credit
4373	Leave and benefits contribution / FNUASS settlements	dual-nature	either
4411	Corporate income tax	liability	credit
4418	Micro-enterprise income tax	liability	credit
4423	VAT payable	liability	credit
4424	VAT recoverable	asset	—
4426	Deductible VAT	asset	—
4427	Collected VAT	liability	credit
4428	Deferred VAT	dual-nature	either
444	Tax on salary-type income	liability	credit
445	Subsidies	asset	—
446	Other taxes, duties, and similar payments	liability	credit

Account	Name	Nature	Normal balance
455	Amounts owed to shareholders/associates	liability	credit
456	Settlements with shareholders/associates regarding capital	dual-nature	either
457	Dividends payable	liability	credit
461	Various debtors	asset	—
462	Various creditors	liability	credit
471	Prepaid expenses	asset	—
472	Deferred revenue	liability	credit
473	Settlements from transactions pending clarification	dual-nature	either
475	Investment subsidies	liability	credit
481	Settlements between head office and subunits	dual-nature	either
491	Impairment adjustments for receivables — customers	liability	credit

Class 5 — Treasury

The actual money: bank accounts, cash office, transfers between them.

CLASS 5: 14 ACCOUNTS

Account	Name	Nature	Normal balance
5112	Checks to be cashed	asset	—
5113	Bills receivable	asset	—
5114	Bills submitted for discounting	asset	—
5121	Bank accounts in lei	asset	—
5124	Bank accounts in foreign currency	asset	—
5191	Short-term bank loans	liability	credit
5311	Cash on hand in lei	asset	—
5314	Cash on hand in foreign currency	asset	—
5328	Other valuables (vouchers, stamps)	asset	—
541	Letters of credit	asset	—
5411	Letters of credit in lei	asset	—
5412	Letters of credit in foreign currency	asset	—
542	Cash advances	asset	—
581	Internal transfers	dual-nature	either

Class 6 — Expenses

What was consumed during the period. These accounts are cleared at year end — see chapter 42.

CLASS 6: 37 ACCOUNTS

Account	Name	Nature	Normal balance
601	Raw materials expenses	expense	—
602	Consumable materials expenses	expense	—
6022	Fuel expenses	expense	—
603	Expenses for low-value/short-lived items (inventory objects)	expense	—
604	Expenses for materials not held in stock	expense	—
605	Energy and water expenses	expense	—
607	Cost of goods sold expenses	expense	—
609	Trade discounts received	expense	—
611	Maintenance and repair expenses	expense	—
612	Royalties, rentals, and lease expenses	expense	—
613	Insurance premium expenses	expense	—
622	Commission and fee expenses	expense	—
623	Entertainment, advertising, and promotion expenses	expense	—
624	Expenses for transport of goods and personnel	expense	—
625	Travel, secondment, and transfer expenses	expense	—
626	Postal and telecommunications expenses	expense	—
627	Bank services and similar expenses	expense	—
628	Other expenses for services performed by third parties	expense	—
635	Expenses for other taxes, duties, and similar payments	expense	—
641	Payroll expenses	expense	—
642	Expenses for benefits in kind and vouchers granted to employees	expense	—
6458	Other expenses for social insurance and protection	expense	—
646	Labor insurance contribution expenses	expense	—
654	Losses on receivables and various debtors	expense	—
655	Expenses from revaluation of tangible fixed assets	expense	—
6581	Compensation, fines, and penalties	expense	—
6582	Donations and subsidies granted (sponsorship, patronage)	expense	—
6583	Expenses for disposed assets and other capital transactions	expense	—
6588	Other operating expenses	expense	—

Account	Name	Nature	Normal balance
665	Foreign exchange loss expenses	expense	—
666	Interest expenses	expense	—
667	Expenses on discounts granted	expense	—
6811	Operating expenses for depreciation of fixed assets	expense	—
6812	Operating expenses for provisions	expense	—
6814	Expenses for impairment adjustments of current assets	expense	—
691	Corporate income tax expense	expense	—
698	Income tax expense (micro-enterprise)	expense	—

Class 7 — Revenue

What was earned during the period. These accounts are also cleared at year end.

CLASS 7: 21 ACCOUNTS

Account	Name	Nature	Normal balance
701	Revenue from sale of finished goods	revenue	credit
704	Revenue from services rendered	revenue	credit
707	Revenue from sale of goods	revenue	credit
708	Revenue from various activities	revenue	credit
709	Trade discounts granted	revenue	credit
711	Revenue related to production inventory costs	revenue	credit
712	Revenue related to costs of services in progress	revenue	credit
722	Revenue from self-constructed tangible fixed assets	revenue	credit
741	Revenue from operating subsidies	revenue	credit
754	Revenue from reinstated receivables and various debtors	revenue	credit
755	Revenue from revaluation of tangible fixed assets	revenue	credit
758	Other operating revenue	revenue	credit
7581	Revenue from compensation, fines, and penalties	revenue	credit
7583	Revenue from sale of assets and other capital transactions	revenue	credit
7584	Revenue from investment subsidies	revenue	credit
7588	Other operating revenue	revenue	credit
765	Revenue from foreign exchange differences	revenue	credit
766	Interest income	revenue	credit
767	Income from discounts obtained	revenue	credit
7812	Income from provisions	revenue	credit
7814	Income from impairment adjustments of current assets	revenue	credit

Class 8 — Special accounts

Tracking of items that are not included in the balance sheet but must still be monitored.

CLASS 8: 2 ACCOUNTS

Account	Name	Nature	Normal balance
8031	Tangible fixed assets taken under lease	dual-nature	either
8038	Other off-balance-sheet items	dual-nature	either

What the list does not contain

The list above has 155 synthetic accounts. The general chart of accounts in the accounting regulations has more: this list includes the accounts that a small or medium-sized company actually uses, not the entire nomenclature.

Also missing are the analytic accounts — breakdowns by partner, by management unit, by VAT rate. They are not listed here because each company builds them according to its own needs, starting from the synthetic account. A "4111.ALFA" is still a 4111 account; what is added after the dot is internal organization, not the chart of accounts.

HOW TO USE THIS APPENDIX

- The first digit gives the class, i.e. the nature of the account; the rest details it further.
- The "normal balance" column shows which side the balance is expected on; the opposite side is a sign of error, not a rare occurrence.
- Dual-nature accounts (121, 117, 581) can have a balance on either side — hence the "either" column.
- Analytic accounts do not appear here: each company builds them, starting from the synthetic account in the list.

Appendix B

Worked examples: 48 frequent situations

This appendix is a working vocabulary: for each situation that comes up frequently in a business, the complete journal entry — all lines, not just the obvious one.

The amounts are for illustration, chosen to be round numbers, and the VAT rate is the one currently in force. What matters are the accounts and, above all, the number of lines: most errors in practice don't come from choosing the wrong account, but from forgetting a line — see chapter 11.

> ***Read each worked example first for the number of lines, then for the accounts. A sale of merchandise has three lines, not two; the disposal of a fixed asset has four.***

Purchases

1. PURCHASE INVOICE — MERCHANDISE

Debit	Credit	Amount	Explanation
371 Merchandise	401 Suppliers	10.000,00	Purchase of merchandise (entering stock)
4426 Deductible VAT	401 Suppliers	2.100,00	Deductible VAT

2. PURCHASE INVOICE — RAW MATERIALS AND SUPPLIES

Debit	Credit	Amount	Explanation
301 Raw materials	401 Suppliers	10.000,00	Purchase of raw materials/supplies
4426 Deductible VAT	401 Suppliers	2.100,00	Deductible VAT

3. SERVICES INVOICE RECEIVED (RENT, TELECOM, FEES)

Debit	Credit	Amount	Explanation
628 Other expenses with services performed by third parties	401 Suppliers	10.000,00	Expenses with services received
4426 Deductible VAT	401 Suppliers	2.100,00	Deductible VAT

4. UTILITIES INVOICE (ENERGY, WATER)

Debit	Credit	Amount	Explanation
605 Expenses with energy and water	401 Suppliers	10.000,00	Expenses with energy and water
4426 Deductible VAT	401 Suppliers	2.100,00	Deductible VAT

5. INVOICE FOR THE ACQUISITION OF A FIXED ASSET

Debit	Credit	Amount	Explanation
2131 Technological equipment (machinery, plant)	404 Suppliers of fixed assets	10.000,00	Acquisition of a fixed asset
4426 Deductible VAT	404 Suppliers of fixed assets	2.100,00	Deductible VAT

6. INTRA-COMMUNITY ACQUISITION OF GOODS (REVERSE CHARGE)

Debit	Credit	Amount	Explanation
371 Merchandise	401 Suppliers	10.000,00	Intra-Community acquisition (base)
4426 Deductible VAT	4427 Collected VAT	2.100,00	Reverse charge - deductible and collected VAT

7. IMPORT OF GOODS FROM OUTSIDE THE UNION (CUSTOMS DECLARATION)

Debit	Credit	Amount	Explanation
371 Merchandise	401 Suppliers	10.000,00	Import - value of goods
371 Merchandise	446 Other taxes, duties and similar payments	500,00	Customs duties (included in the cost of goods)
4426 Deductible VAT	446 Other taxes, duties and similar payments	2.205,00	VAT at customs (deductible)

8. ACQUISITION SUBJECT TO DOMESTIC REVERSE CHARGE (ART. 331)

Debit	Credit	Amount	Explanation
371 Merchandise	401 Suppliers	10.000,00	Acquisition under domestic reverse charge (base)
4426 Deductible VAT	4427 Collected VAT	2.100,00	Domestic reverse charge - deductible and collected VAT

9. FUEL WITH 50% DEDUCTIBLE VAT (VEHICLE WITH LIMITED USE)

Debit	Credit	Amount	Explanation
6022 Fuel expenses	401 Suppliers	10.000,00	Fuel expenses
4426 Deductible VAT	401 Suppliers	1.050,00	50% deductible VAT
6022 Fuel expenses	401 Suppliers	1.050,00	50% non-deductible VAT (recorded as expense)

10. CORRECTION INVOICE RECEIVED (RED-INK REVERSAL)

Debit	Credit	Amount	Explanation
371 Merchandise	401 Suppliers	-10.000,00	Reversal of purchase (in red)
4426 Deductible VAT	401 Suppliers	-2.100,00	Reversal of deductible VAT

Sales

11. SALES INVOICE — MERCHANDISE (WITH INVENTORY RELIEF)

Debit	Credit	Amount	Explanation
4111 Customers	707 Revenue from sale of merchandise	10.000,00	Revenue from sale of merchandise
4111 Customers	4427 Collected VAT	2.100,00	Collected VAT
607 Expenses with merchandise	371 Merchandise	10.000,00	Inventory relief - cost of merchandise sold

12. SERVICES RENDERED INVOICE ISSUED

Debit	Credit	Amount	Explanation
4111 Customers	704 Revenue from services rendered	10.000,00	Revenue from services rendered
4111 Customers	4427 Collected VAT	2.100,00	Collected VAT

13. SALES INVOICE — FINISHED GOODS

Debit	Credit	Amount	Explanation
4111 Customers	701 Revenue from sale of finished goods	10.000,00	Revenue from sale of finished goods
4111 Customers	4427 Collected VAT	2.100,00	Collected VAT

14. Z REPORT — RETAIL SALE IN CASH

Debit	Credit	Amount	Explanation
5311 Cash on hand in lei	707 Revenue from sale of merchandise	10.000,00	Retail sale
5311 Cash on hand in lei	4427 Collected VAT	2.100,00	Related collected VAT

15. INTRA-COMMUNITY SUPPLY OF GOODS (EXEMPT)

Debit	Credit	Amount	Explanation
4111 Customers	707 Revenue from sale of merchandise	10.000,00	Intra-Community supply (exempt with credit)

16. EXPORT OF GOODS OUTSIDE THE UNION (EXEMPT WITH CREDIT)

Debit	Credit	Amount	Explanation
4111 Customers	707 Revenue from sale of merchandise	10.000,00	Export of goods outside the EU (exempt with credit)

17. SUPPLY SUBJECT TO DOMESTIC REVERSE CHARGE (INVOICE WITHOUT VAT)

Debit	Credit	Amount	Explanation
4111 Customers	707 Revenue from sale of merchandise	10.000,00	Supply under domestic reverse charge (no VAT - note on invoice)

18. CORRECTION INVOICE ISSUED (RED-INK REVERSAL)

Debit	Credit	Amount	Explanation
4111 Customers	707 Revenue from sale of merchandise	-10.000,00	Reversal of revenue (in red)
4111 Customers	4427 Collected VAT	-2.100,00	Reversal of collected VAT

19. ADVANCE INVOICE ISSUED TO THE CUSTOMER

Debit	Credit	Amount	Explanation
4111 Customers	419 Customers - creditors (advances)	10.000,00	Advance invoice - invoiced advance (excluding VAT)
4111 Customers	4427 Collected VAT	2.100,00	Collected VAT related to the advance

Treasury

20. COLLECTION FROM CUSTOMER (RECEIPT OR BANK STATEMENT)

Debit	Credit	Amount	Explanation
5121 Bank accounts in lei	4111 Customers	10.000,00	Collection from customer

21. PAYMENT TO SUPPLIER

Debit	Credit	Amount	Explanation
401 Suppliers	5121 Bank accounts in lei	10.000,00	Payment to supplier

22. CASH DEPOSIT AT THE BANK (VIA INTERNAL TRANSFERS)

Debit	Credit	Amount	Explanation
581 Internal transfers	5311 Cash on hand in lei	10.000,00	Cash withdrawn from till - internal transfers
5121 Bank accounts in lei	581 Internal transfers	10.000,00	Cash deposit at bank

23. BANK FEE CHARGED BY THE BANK

Debit	Credit	Amount	Explanation
627 Expenses with banking services and similar charges	5121 Bank accounts in lei	10.000,00	Expenses with banking services

24. GRANTING A CASH ADVANCE TO AN EMPLOYEE

Debit	Credit	Amount	Explanation
542 Cash advances	5311 Cash on hand in lei	10.000,00	Cash advance granted

25. PAYMENT OF TAXES AND DUTIES TO THE STATE BUDGET

Debit	Credit	Amount	Explanation
446 Other taxes, duties and similar payments	5121 Bank accounts in lei	10.000,00	Payment of taxes/duties to the budget

Inventory and production

26. CONSUMPTION SLIP — ISSUING MATERIALS FROM STOCK

Debit	Credit	Amount	Explanation
601 Expenses with raw materials	301 Raw materials	10.000,00	Consumption from stock (consumption slip)

27. DIFFERENCES FOUND ON STOCKTAKING (SURPLUS OR SHORTAGE)

Debit	Credit	Amount	Explanation
607 Expenses with merchandise	371 Merchandise	10.000,00	Shortage / deficit found on stocktaking

28. CHARGING A STOCKTAKING SHORTAGE TO THE CUSTODIAN

Debit	Credit	Amount	Explanation
4282 Other receivables from personnel	7588 Other operating revenue	10.000,00	Charging of stocktaking shortage - revenue
4282 Other receivables from personnel	4427 Collected VAT	2.100,00	VAT related to the charge

Payroll

29. PAYROLL STATEMENT — THE MONTH'S SALARY ENTITLEMENTS

Debit	Credit	Amount	Explanation
641 Expenses with personnel salaries	421 Personnel - salaries payable	5.000,00	Gross salaries payable
421 Personnel - salaries payable	4315 Social insurance contribution (CAS)	1.250,00	CAS withholding 25%
421 Personnel - salaries payable	4316 Health insurance contribution (CASS)	500,00	CASS withholding 10%
421 Personnel - salaries payable	444 Income tax on salary-type income	325,00	Withholding tax on salaries 10%
646 Expenses with the labor insurance contribution	436 Labor insurance contribution (CAM)	112,50	CAM 2.25% (employer)

30. PAYMENT OF NET SALARIES

Debit	Credit	Amount	Explanation
421 Personnel - salaries payable	5121 Bank accounts in lei	10.000,00	Payment of net salaries

Fixed assets and leasing

31. COMMISSIONING A FIXED ASSET

Debit	Credit	Amount	Explanation
2131 Technological equipment (machinery, plant)	231 Tangible fixed assets in progress	10.000,00	Acceptance and commissioning

32. MONTHLY DEPRECIATION OF FIXED ASSETS

Debit	Credit	Amount	Explanation
6811 Operating expenses with depreciation of fixed assets	281 Depreciation of tangible fixed assets	10.000,00	Monthly depreciation

33. SCRAPPING A FIXED ASSET (DECOMMISSIONING)

Debit	Credit	Amount	Explanation
281 Depreciation of tangible fixed assets	2131 Technological equipment (machinery, plant)	3.000,00	Derecognition of accumulated depreciation
6583 Expenses with disposed assets and other capital transactions	2131 Technological equipment (machinery, plant)	7.000,00	Remaining undepreciated value

34. SALE OF A FIXED ASSET (DISPOSAL FOR CONSIDERATION)

Debit	Credit	Amount	Explanation
461 Sundry debtors	7583 Revenue from sale of assets and other capital transactions	10.000,00	Revenue from sale of the asset
461 Sundry debtors	4427 Collected VAT	2.100,00	Collected VAT on disposal
281 Depreciation of tangible fixed assets	2131 Technological equipment (machinery, plant)	3.000,00	Derecognition of accumulated depreciation
6583 Expenses with disposed assets and other capital transactions	2131 Technological equipment (machinery, plant)	7.000,00	Remaining undepreciated value of the disposed asset

35. RECOGNITION OF AN ASSET UNDER FINANCE LEASE

Debit	Credit	Amount	Explanation
2133 Means of transport	167 Other loans and similar liabilities (leasing)	10.000,00	Asset under finance lease + liability

36. LEASE INSTALLMENT INVOICE (PRINCIPAL, INTEREST, VAT)

Debit	Credit	Amount	Explanation
167 Other loans and similar liabilities (leasing)	404 Suppliers of fixed assets	10.000,00	Lease principal installment
666 Interest expenses	404 Suppliers of fixed assets	500,00	Lease interest
4426 Deductible VAT	404 Suppliers of fixed assets	2.100,00	Deductible VAT related to the installment

37. PAYMENT OF THE LEASE INSTALLMENT

Debit	Credit	Amount	Explanation
404 Suppliers of fixed assets	5121 Bank accounts in lei	10.000,00	Payment of lease installment

Adjustments

38. PREPAID EXPENSE — INITIAL RECOGNITION

Debit	Credit	Amount	Explanation
471 Prepaid expenses	401 Suppliers	10.000,00	Expense recorded in advance

39. MONTHLY RECOGNITION OF THE PREPAID EXPENSE

Debit	Credit	Amount	Explanation
613 Expenses with insurance premiums	471 Prepaid expenses	10.000,00	Monthly share of the prepaid expense

40. DEFERRED REVENUE — INITIAL RECOGNITION

Debit	Credit	Amount	Explanation
4111 Customers	472 Deferred revenue	10.000,00	Revenue recorded in advance

41. UNFAVORABLE FOREIGN EXCHANGE DIFFERENCE

Debit	Credit	Amount	Explanation
665 Expenses from foreign exchange differences	401 Suppliers	10.000,00	Unfavorable foreign exchange difference

Doubtful receivables and provisions

42. CUSTOMER BECOME DOUBTFUL OR IN LITIGATION

Debit	Credit	Amount	Explanation
4118 Doubtful customers or customers in litigation	4111 Customers	10.000,00	Receivable reclassified to doubtful customers

43. SETTING UP AN IMPAIRMENT ADJUSTMENT FOR RECEIVABLES

Debit	Credit	Amount	Explanation
6814 Expenses with impairment adjustments for current assets	491 Impairment adjustments for customer receivables	10.000,00	Impairment adjustment for customer receivables

44. REVERSAL OF THE ADJUSTMENT — THE CUSTOMER PAID OR THE RISK DISAPPEARED

Debit	Credit	Amount	Explanation
491 Impairment adjustments for customer receivables	7814 Revenue from impairment adjustments for current assets	10.000,00	Reversal of the impairment adjustment for receivables

45. DERECOGNITION OF AN IRRECOVERABLE RECEIVABLE

Debit	Credit	Amount	Explanation
654 Losses on receivables and sundry debtors	4118 Doubtful customers or customers in litigation	10.000,00	Loss on irrecoverable receivable
491 Impairment adjustments for customer receivables	7814 Revenue from impairment adjustments for current assets	10.000,00	Reversal of the adjustment related to the derecognized receivable

46. RECEIVABLE REACTIVATED — A DEBTOR CONSIDERED LOST PAYS

Debit	Credit	Amount	Explanation
4111 Customers	754 Revenue from reactivated receivables and sundry debtors	10.000,00	Reactivated receivable (debtor considered lost)

47. SETTING UP A PROVISION FOR RISKS AND EXPENSES

Debit	Credit	Amount	Explanation
6812 Operating expenses with provisions	151 Provisions for risks and expenses	10.000,00	Setting up a provision for risks and expenses

48. REVERSAL OF A PROVISION THAT HAS BECOME UNNECESSARY

Debit	Credit	Amount	Explanation
151 Provisions for risks and expenses	7812 Revenue from provisions	10.000,00	Reversal of a provision that has become unnecessary

How to read a worked example

Each table is a single journal entry, with all its lines. The amount of each line appears once on debit and once on credit — that is why the entry always balances, no matter how many lines it has.

Lines marked with negative amounts are "red-ink" reversals: the same accounts, with the amount negated. The convention and its rationale are covered in chapter 29.

THREE OBSERVATIONS BEFORE USING THE LIST

- The amounts are for illustration. The accounts and the number of lines are the real information.
- A situation not found here should not be forced to fit the closest match: a proper, documented entry should be composed for it.
- VAT rates change; the worked examples do not. The rate shown in the tables is the one in force at the time of printing.

Appendix C

The tax calendar

The calendar below is not a list of deadlines to memorize, but a map: it shows what a company owes depending on what it is and what it does. The first column of each table is always the condition — if it doesn't apply, the row doesn't need to be read.

With few exceptions, deadlines fall on the 25th of the month following the reporting period. Exceptions are noted where they occur. As with any figure that can change, checking the text currently in force remains mandatory before filing.

> ***Failure to file and failure to pay are penalized separately. A zero declaration is still a declaration — the penalty for non-filing applies regardless of the amount.***

What depends on what

Three choices determine almost the entire list. They are the ones from chapter 37, placed here as a starting point.

THE THREE QUESTIONS THAT DECIDE THE CALENDAR

Question	If YES	If NO
Is the company registered for VAT purposes?	D300, D394, D406, VAT journals	none of them
Does the company have employees or paid collaborators?	D112 monthly, payroll records, D205 annually	none
Is the company a microenterprise?	D100 quarterly, on revenue	D100 for advances and D101 annually, on profit

A fourth question is added for companies trading within the Union: intra-Community transactions bring D390 and shift VAT to monthly filing.

Monthly

OBLIGATIONS WITH MONTHLY DEADLINES

What	By when	Who
D112 — contributions and payroll tax	25th of the following month	companies with employees
D300 — VAT return	25th of the following month	taxpayers with a monthly fiscal period
D394 — informative declaration	together with D300	the same
D390 VIES — intra-Community transactions	25th of the following month	those with intra-Community transactions in that month
D406 SAF-T — the standard audit file	its own deadline, after the month	depending on taxpayer category
D100 — withholding tax, dividends	25th of the following month	when such obligations exist
Payment of declared obligations	25th of the following month	all
D301 — special VAT return	25th of the following month	those NOT normally registered for VAT, in the month with transactions
D307 — VAT adjustments	25th of the following month	those who deducted VAT for goods that change their purpose
D311 — VAT collected with a canceled code	25th of the following month	companies whose code was canceled but which still collected tax

D390 is not filed as zero: if there were no intra-Community transactions in that month, there is no filing obligation.

Quarterly

OBLIGATIONS WITH QUARTERLY DEADLINES

What	By when	Who
D300 and D394	25th of the month following the quarter	taxpayers with a quarterly fiscal period
D100 — microenterprise income tax	25th of the month following the quarter	microenterprises
D100 — profit tax advance payment	25th of the month following the quarter	those applying the advance payment system
D112 quarterly	25th of the month following the quarter	small companies, under the conditions of the law
Trial balance at the end of the quarter	—	all (an accounting obligation, not a filing one)

The switch from quarterly to monthly period is not optional: a single intra-Community acquisition of goods triggers it, starting from that very month.

Annual

OBLIGATIONS WITH ANNUAL DEADLINES

What	When	Who
General inventory of assets	before preparing the financial statements	all
Annual financial statements	own deadline, in the months following closing	all
D101 — profit tax	own deadline, after the financial year closes	profit tax payers
D205 — withholding tax by beneficiary	own deadline, in the following year	those who withheld tax at source
Inventory register and inventory documents	at the closing of the financial year	all
General Meeting resolution — approval and distribution	after the financial statements are prepared	all
Tax records register	when determining the tax	profit tax payers
D107 — sponsorship beneficiaries	together with the annual tax return	those who granted sponsorships, private scholarships, or patronage

The order in the table is also the order of execution: the inventory precedes the financial statements, and the General Meeting resolution follows them. None can be skipped — see chapter 44.

On request, or upon an event

WHAT HAS NO FIXED DEADLINE

What	When it occurs
Amending declaration	whenever a filed declaration is corrected
Notification of change of VAT fiscal period	upon the first intra-Community acquisition of goods
Update of the tax vector	upon any change of regime or activity
Taxpayer record sheet / tax clearance certificate	upon the company's request, for banks or tenders
Declaration of amendments to the trade registry	upon changes of registered office, business object, or administrator
D710 — correction declaration	when a payment obligation declared through D100 is corrected
D177 — redirection of tax	after the annual declaration, if unused sponsorship credit remains

The last two are not tax obligations, but they occur often enough in practice to deserve their place in the calendar.

The order of the month, as a work list

The calendar tells you by when. The order in which you get there is the one from chapter 39, and it's worth repeating here, since it's the part most often skipped.

THE ORDER, ALWAYS THE SAME

- 1. All of the month's documents are recorded and posted.
- 2. The bank statement is recorded and reconciled with invoices.
- 3. Adjustments are made, and VAT is determined.
- 4. The trial balance is prepared and checked.
- 5. Declarations are generated FROM the trial balance, validated, and filed.
- 6. Receipts are archived, obligations are paid, the period is closed.

Step 5 is the one that cannot precede step 4. A declaration generated before the trial balance will need to be corrected afterward, and correcting an already-filed declaration always costs more than a day's wait.

Appendix D

Glossary: accounting term ↔ plain speech

The glossary is arranged alphabetically and written for someone hearing the term for the first time. The definitions are deliberately short: their purpose is to unblock a sentence, not to replace a chapter.

The terms most often confused are treated together — expense and payment, revenue and cash receipt, receivable and creditor, scrapping and disposal. Where the definition alone isn't enough, the chapter that clarifies it is referenced.

> ***Half of the misunderstandings between an accountant and a business owner come from four pairs of words: revenue and cash receipt, expense and payment, profit and cash, debit and liability.***

A

Term	What it means
intra-Community acquisition	Purchase of goods from a supplier in another EU member state. Taxed via reverse charge, at the buyer.
letter of credit	Sum blocked at the bank in favor of a supplier, until a condition is met.
asset	Everything the company owns: goods, inventory, receivables, cash. The left side of the balance sheet.
trade markup	The difference between the selling price and the purchase cost of merchandise.
impairment adjustment	Recognition of the fact that an asset is worth less than what's recorded. It doesn't remove it — it sets alongside it the probably lost value.
depreciation	Spreading the cost of a good over the years it's used. An expense that isn't paid.
sub-ledger (analytic)	Breaking down an account into details: by each customer, by each stock location. The sum of the sub-ledger entries must exactly match the general ledger account.
accrual (accrual accounting)	The principle by which revenue and expense are recognized when they occur, not when cash is received or paid.
append-only	The property of a journal in which you can only add entries, never rewrite them.
approval (of the month)	The act by which someone explicitly takes responsibility that the period is correct and can be reported.
accounting entry	A complete record: which account is debited, which account is credited, for what amount. In plain speech, "a journal entry".
self-invoice	An invoice the company issues to itself, in place of the supplier, when the law requires it.
advance	Money paid or received before delivery. It's neither an expense nor revenue.
delivery note	Document accompanying goods delivered before invoicing.

B

Term	What it means
trial balance	The list of all accounts with balances and movements, with four pairs of equal totals. Done monthly.
tax base	The amount to which a rate is applied. For VAT, the value excluding tax; for corporate income tax, the taxable result.
bifunctional (account)	An account that can have a balance on either side, depending on the situation (121, 117, 581).
balance sheet	A snapshot of the company's assets and liabilities at a given date: what the company has and where it came from.
period lock	Closing a month against any subsequent modification.
materials issue slip	Document that takes materials out of inventory to be used.
gross (salary)	Salary before withholdings. It's neither what the employee receives nor what it costs the company.
capital good	A fixed asset for which deducted VAT is adjusted over 5 or 20 years, if its use changes.

C

Term	What it means
CAM	The labor insurance contribution, 2.25%, owed by the employer.
equity	The shareholders' net worth: assets minus liabilities. What would remain if everything were paid off.
general ledger	The register with the same transactions as the journal, grouped by account.
CAS	The social security contribution (pension), withheld from salary.
scrapping	Retiring a good that's no longer useful to anyone, without a sale price.
CASS	The health insurance social contribution, withheld from salary.
disposal	The sale of a fixed asset. Different from scrapping, which is retirement without a price.
expense	Value consumed during the period. Not to be confused with payment.
prepaid expense	An amount paid now for future periods (account 471). It's an asset, not an expense.
net turnover	Sales of goods and services, minus discounts granted. Does not include other revenues.
offsetting	The mutual extinguishing of a receivable and a payable with the same partner.
reconciliation (agreement)	A check whereby two statements about the same thing must yield the same figure.
account	A "drawer" in which amounts of the same kind are gathered. It has a code and a name.
general ledger account (synthetic account)	The account from the general chart of accounts (371, 401). Its opposite is the sub-ledger account.
weighted average cost	Method of releasing inventory: each outflow at the weighted average value of inflows.
rate	The percentage applied to a base: 21% for VAT, 16% for corporate income tax.
receivable	The right to receive money from someone. For a company, usually from customers.
credit (side of an account)	The right-hand side of an account. Not related to bank credit.
creditor	The one you owe. Not to be confused with the "credit" side of an account.
cut-off	The correct delineation between periods: each transaction in the month to which it belongs.

D

Term	What it means
D100	The declaration regarding payment obligations to the state budget.
D101	The annual corporate income tax declaration.
D112	The declaration regarding social contributions and income tax.
D205	The informative declaration regarding tax withheld at source.
D300	The value added tax return.
D390	The recapitulative declaration regarding intra-Community transactions.
D394	The informative declaration regarding domestic supplies and acquisitions.
D406	The SAF-T informative declaration.
liability	The obligation to give money or goods to someone else.
debit (side of an account)	The left-hand side of an account.
debtor	The one who owes you.
VAT return	The declaration in which output VAT and deductible VAT for the period are totaled (D300).
personal deduction	Part of the salary not subject to tax. Granted at the primary job.
deductible	Something that can be subtracted: from the tax base (an expense) or from the VAT owed (a tax paid).
time delimitation	Allocating an amount to the periods to which it belongs (accounts 471 and 472).
inventory release	Removing sold merchandise from stock, at its cost. The line most often forgotten.
dividend	The part of profit distributed to shareholders, after approval of the financial statements.
supporting document	The paper or file that proves a transaction took place. Without it, nothing is recorded.
normal useful life	The number of years over which a good is depreciated, chosen from an official range.

E

Term	What it means
e-Invoice (e-Factura)	The system through which invoices are transmitted electronically via the tax administration's platform.
e-Transport	The system for reporting transports of goods with high fiscal risk; it generates a UIT code.
balance (of an entry)	The equality between total debits and total credits. Necessary, not sufficient.
symmetric error	A mistake that affects both sides at once, thus passing any balance check.
financial year	The period for which financial statements are prepared — usually the calendar year.
chargeability	The moment from which the state can claim the tax. It doesn't always coincide with the chargeable event.
operating activity	The company's core activity, distinct from financial activity.
bank statement	The document issued by the bank showing account movements. It proves that money moved, not why.

F

Term	What it means
invoice	The document that attests a delivery or a service, containing the elements required by law.
chargeable event	The moment when the transaction is carried out. Chargeability usually follows from it.
FIFO	Method of releasing inventory: first in, first out.
account card	The page of an account from the general ledger: opening balance, movements, totals, closing balance.
payslip	The document showing the employee how the net was reached from the gross.
cash flow	A statement that tracks only cash, across three activities: operating, investing, financing.
forcing (a closing)	Closing over an unfinished step. Requires administrator rights and a written reason.
primary job	The main workplace, the only one at which the personal deduction is granted.
supplier	The one you buy from. Account 401.

G

Term	What it means
stock location (gestiune)	The place where inventory is kept and the person responsible for it.

I

Term	What it means
fixed asset	A good used for more than a year, with a value above the legal threshold. It is depreciated.
corporate income tax	16% applied to the taxable result, not the accounting one.
micro-enterprise income tax	A rate applied to revenues, regardless of profit. It's paid even in a loss.
charging (imputare)	Holding a person responsible for a shortage found during inventory count.
doubtful (customer)	A customer whose payment has become doubtful. Account 4118.
physical inventory	What was actually counted, as opposed to book records.
inventory count	The physical counting of assets and comparison with book records.

J

Term	What it means
journal (register)	The register with all transactions, in the order they occurred.
audit log	The record of human actions on the system: who, what, when.
VAT journal	A register for VAT purposes: one for sales, one for purchases. The return is compiled from them.

L

Term	What it means
finance lease	A form of financing in which the asset enters the user's balance sheet, along with the related liability.
operating lease	Renting: the installment is an expense, and the good remains with the owner.
liquidity	How quickly an asset can be converted into cash.
non-chargeable shortage	An inventory shortfall that cannot be charged to anyone. Triggers a VAT adjustment.
intra-Community supply	Sale of goods to a customer in another EU member state. Exempt, with the right of deduction.

M

Term	What it means
micro	The usual abbreviation for "micro-enterprise", i.e., a company taxed on revenues.
accounting treatment guide (monografie contabilă)	The vocabulary that links a real-life situation to the corresponding accounting entry.

N

Term	What it means
non-deductible	A real expense, paid from company funds, that the law does not allow to be subtracted from the tax base.
explanatory notes	The appendix explaining the policies, methods, and details behind the figures.
journal entry	See "accounting entry".
credit note	A correction invoice that reduces or cancels a previous invoice.

O

Term	What it means
triangular transaction	Three companies, three states, a single movement of goods. A simplification measure.
payment order	The document ordering a bank payment.

P

Term	What it means
double-entry bookkeeping	The rule by which any amount is written twice, on two accounts, on opposite sides.
liabilities and equity (pasiv)	The right side of the balance sheet: where the resources came from — equity and liabilities.
fiscal period	The interval for which the VAT return is filed: the month or the quarter.
closed period	A month or quarter locked against modifications.
threshold	The limit up to which something is allowed or deductible. Beyond it, the regime changes.
cash register limit	The maximum amount that can remain in the cash register at the end of the day: 50,000 lei.
posting	The act by which an entry becomes final in the accounting records. After it, correction is done via reversal (storno).
selling price	The price invoiced to the customer, excluding VAT.
prudence principle	The rule of not overvaluing assets and revenues, nor undervaluing liabilities.
pro-rata	The proportion in which VAT is deducted for companies with exempt transactions without the right of deduction.
work in progress	What has been started and not finished by the end of the period.
provision	The recognition of a probable obligation, of estimated size, arising from a past event.
bank reconciliation check	Matching the statement line by line with the accounting records.

R

Term	What it means
receipt confirmation	The electronic confirmation of receiving a declaration. The only proof that the obligation was fulfilled.
bank reconciliation	Comparing one's own records with the bank statement.
amending declaration	A declaration filed to correct a previous one.
foreign currency revaluation	Bringing foreign currency balances to the closing exchange rate.
special margin scheme	Taxing only the markup, for second-hand goods and similar items.
inventory register	The mandatory register in which inventory count results are recorded.
adjustment (regularizare)	An entry that doesn't come from an external document, but from the passage of time or from judgment.
legal reserve	The part of profit that must remain in the company: 5% of gross profit, up to 20% of capital.
accounting result	Revenues minus expenses. Measures economic performance.
taxable result	The accounting result adjusted with non-deductible items and deductions. The tax base.
retained earnings	Undistributed profit or uncovered loss from previous years. Account 117.
turnover (rulaj)	The total movements of an account over a period, on each side.

S

Term	What it means
SAF-T	The standard tax audit file, through which accounting data is submitted in a unified format (D406).
aging schedule	The status of receivables and payables by partner and age.
exempt with deduction right	An operation with no VAT collected, but which retains the deduction right on inputs.
exempt without deduction right	An operation with no VAT collected, which does not give a deduction right. Generates pro-rata.
balance	The difference between the two sides of an account. Can be debit or credit.
opening balance	The balance the period begins with, carried over from the previous one.
solvency	The company's ability to cover its liabilities from its assets.
SPV	The Virtual Private Space — the electronic communication channel with the tax administration.
payroll statement	The monthly document with the salary entitlements of each employee.
inventory	Goods purchased or produced to be sold or consumed.
reversal (storno)	Canceling one entry with another, which remains linked to it. Nothing is deleted.

T

Term	What it means
reverse charge	Mechanism whereby the obligation to pay VAT passes from the supplier to the buyer.
third parties	Everyone outside the company that it has relations with: customers, suppliers, employees, the state.
traceability	The ability to trace any figure back to the document that produced it.
treasury	The company's money: bank accounts and cash register.
output VAT	The tax invoiced to customers. It is a liability to the state, not revenue.
input VAT	The tax paid to suppliers. It is recovered through the VAT return.
cash-basis VAT	A regime in which the tax becomes chargeable upon payment, not upon invoicing — on both sides.
deferred VAT	The tax that has not yet become due or deductible (account 4428).

U

Term	What it means
UIT	The code obtained when reporting a transport in the e-Transport system.

Term	What it means
validator	The official program that checks a declaration before submission.
net book value	The cost of an asset minus accumulated depreciation.
balance aging	The breakdown of receivables and payables into time intervals from the due date.
tax vector	The configuration of a company's reporting obligations, as recorded by the tax administration.
revenue	Value earned during the period. Not to be confused with cash collection.
deferred revenue	An amount collected now for future services (account 472). It is a liability.
internal transfers	The transit account through which money movements between the bank and the cash register pass (581).

Four pairs that get confused

THEY ARE NOT SYNONYMS

Don't confuse	With	The difference
revenue	cash collection	the first arises at invoicing, the second at receipt of the money
expense	payment	the first at the consumption of the resource, the second at the outflow of money
profit	money in the account	the first is a measure, the second a state — see chapter 1
debit	liability	debit is a side of an account; a liability is an obligation
write-off	disposal	the first is taking out of use, the second is selling
reversal in red	reversal in black	the first keeps the turnover figures correct — see chapter 29

The last two pairs produce errors that don't unbalance anything, so they don't flag themselves.

The glossary includes 154 terms. It is not exhaustive, nor does it aim to be: these are the words that actually come up in an ordinary conversation between an accountant and a small business owner.

Appendix E

Consistency checks

The list below is ordered by how many errors each check catches, not by the order in which they appear during the month. Anyone with ten minutes before a filing does the first three; anyone with an hour does all of them.

They all have the same structure: they place two figures side by side and require them to be equal. None of them involves a new calculation — if you have to calculate something to perform the check, the check is wrongly formulated.

> ***A match confirms that two records say the same thing. It does not confirm that the thing is true — that's what the inventory, the bank statement, and the document are for. See chapter 33.***

Before any return

THE FIVE THAT CATCH THE MOST

Compared item	With	What it catches if they differ
the total of the general journal	the total turnover from the trial balance	a transaction entered in one journal but not the other
the turnover of account 4427	the total of the sales journal	a delivery that did not make it into the return
the turnover of account 4426	the total of the purchases journal	a purchase deducted without being in the journal, or vice versa
the balance of account 4424	the carry-forward line in the return	an incorrect carry-over of the previous month's balance
accounts 421, 43x, 444	the totals in D112	a missing employee or a contribution calculated twice

The first four concern VAT, since that's where the most and the most costly differences occur.

At month-end closing

MONTHLY CHECKS

Checked item	What it means if it doesn't reconcile
the trial balance closes on all four equalities	incorrect opening balances or a direct entry into the database
the balance of account 5311 is positive	a missing receipt or a payment dated incorrectly — always an error
the balance of account 581 is zero	one end of an internal transfer not recorded
the sum of the sub-ledger balances = the general ledger balance	a partner entered twice under different names
the aging schedule gives the same total as the customer balance	a transfer between accounts counted as a new transaction
there is no debit balance in 401 and credit balance in 4111	usually an advance not recorded as such

Lines 2, 3, and 6 are read directly from the trial balance, with no additional report needed.

At year-end closing

FISCAL-YEAR CHECKS

Compared item	With	Observation
total assets	total liabilities and equity	to the leu; otherwise an account fell into two lines or into none
the result in the balance sheet	the result in the income statement	otherwise the documents were prepared on different trial balances
the ending cash figure in the cash flow statement	the balance of the cash and cash equivalents accounts	catches a cash account omitted from the flow statement
the change in cash	the sum of the three activities	catches transactions misclassified or counted twice
the total of the statement of changes in equity	the equity in the balance sheet	catches an equity movement not disclosed
the opening column of the fiscal year	the previous year's financial statements	a difference requires either a correction disclosed in the notes, or an incorrect carry-over
the totals of the fiscal register	the lines in D101	the first check an audit performs

The first four are the ones from chapter 48 and are blocking in the official validator. The last three are not, but they catch errors just as serious.

Checks that are not matches

A few controls do not compare two figures, but rather a figure against reality. These are the ones that catch errors no match can ever reach — and that's why they cannot be left off the list.

COMPARISONS AGAINST SOMETHING OUTSIDE THE RECORDS

The check	What it catches	Chapter
bank reconciliation	missing transactions, incorrect cash amounts	16
physical inventory count	incorrect stock, incorrect accounts, actual shortages	20
reading the document alongside the entry	wrong amount, wrong account, wrong period	9
checking the supplier's VAT code	invoices from suppliers with a cancelled code	35
aging analysis of balances	doubtful receivables not adjusted	27 and 34

Only the third one catches all the error classes from chapter 33 — and it is the only one that cannot be automated.

The recommended order

TEN MINUTES, IN THIS ORDER

- 1. The trial balance closes on all four equalities.
- 2. Journal = trial balance turnover, for the same period.
- 3. VAT accounts = VAT journals, and the carry-forward = the previous month's balance.
- 4. Payroll accounts = D112 totals.
- 5. Impossible balances: negative cash, non-zero 581, reversed balance on third parties.
- 6. Only now is it generated and filed.

The order matters for a practical reason: each step that fails makes the next one pointless. A trial balance that doesn't close makes any comparison with returns meaningless, and a return built on journals that don't match the trial balance will be wrong no matter how carefully it's filled in.

And at the end there remains the check that appears on no list, because it can't be written as a comparison: if the figure you're about to file had to be defended two years from now, do you have what you need on hand to defend it?

Appendix F

Legislative map and update protocol

This edition was verified as at 27 August 2026. The date forms part of the information: tax, electronic reporting, the minimum wage and forms change faster than core accounting treatments. This appendix explains which sources carry authority, which values require reverification and how to update a conclusion without confusing legislation, instructions and the technical operation of a portal.

> ***An up-to-date book cannot promise that a figure will remain valid. It states the verification date, source, scope, transition rule and procedure for checking the figure again.***

Scope of the edition

The accounting treatments address Romanian entities applying OMFP No. 1.802/2014. IFRS reporters, public institutions, not-for-profit organisations, persons using single-entry bookkeeping and prudentially or specially regulated sectors require their own map. Tax examples target ordinary Romanian companies; non-residence, tax groups, excise duties, customs regimes and complex cross-border transactions require separate analysis.

Source hierarchy

WHAT CAN EVERY SOURCE PROVE

Level	Examples	Correct use
Published normative act	laws, ordinances, government decisions, orders and their annexes	sets out the obligation, conditions, date of entry into force and the transition
Official consolidated form	Legislative Portal	show the integrated text; check history and form applicable to the date of operation
Authorised instructions and forms	orders ANAF/MF, nomenclature, schemes and instructions for completion	govern reporting and validations within the authority of the higher-level instrument
Official Guide / Communication	ANAF or Ministry of Finance material	explain the application; do not amend the text of the law and do not replace the missed conditions
Portal and validator	SPV, e- Invoice, assistance programs	evidences technical operation at a particular date; document technical errors separately
Secondary source	article, seminar, commercial base	initial warning and guidance; return to the official source for the substantive conclusion

When two sources appear to conflict, check the transaction date, effective date, transition rule, scope and legal authority before assuming either source is wrong.

Professional basic map

OFFICIAL THEME AND LANDMARK

Theme	Main marker	Working document
Organisation of accounting and accountability	Accounting law No. 82/1991	liability matrices, inventories, registers, signatures and archiving
Recognition, valuation and financial statements	OMFP nr. 1.802/2014, as applicable	policy manual, estimates, notes and mapping on forms
Financial-accounting documents	OMFP 2.634/2015 and special rules	document register, workflow, numbering and retention period
Inventory	Law No. 82/1991 and OMFP No 2.861/2009	resolution, committees, lists, confirmations, minutes and accounting for differences
Taxes and contributions	Law no. 227/2015 on the Tax Code and amending acts	Tax register by type of tax, year and article
Procedure and declarations	Law No 207/2015, orders ANAF and instructions for forms	calendar, form version, filing receipt and reconciliation
Companies, capital and distributions	Law No 31/1990 and Law No 239/2025	net-assets calculation, resolutions, restrictions and subsequent payments
Work and payroll	Labour code, tax code, minimum wage decision and special acts	dated parameters sheet, payrolls, timesheets and D112
Electronic reporting	OUG No 120/2021, applicable technical orders and specifications	message register, transmitted file, index, response and incident

Volatile parameters checked for this edition

UPDATE SHEET AT 27 AUGUST 2026

Parameter	Value / rule used in the book	Reference and next verification
Microenterprise	single 1% rate; EUR 100.000 threshold; cumulative conditions and linked enterprises	OUG 89/2025 and OUG 8/2026; before option and quarterly
General minimum wage	4.325 lei from 1 July 2026	HG No. 146/2026; for every payroll and contractual change
Tax-exempt amount at the minimum wage	200 lei in the second half of 2026 when the conditions and 4.600 lei gross-income ceiling are met	OUG 89/2025; monthly, per employee
Medical leave	for certificates 1 February 2026 - 31 December 2027: one-day decrease, once per continuous episode; employer days 2 - 6 for regular incapacity, with legal exceptions	OUG No 91/2025, Law No 64/2026 and Order No 506/2026; on certificate and episode
Dividend tax	16% for the regime applicable from 1 January 2026	Tax code / OUG nr 89/2025; on distribution and payment date
Fixed asset for tax purposes	5.000 lei threshold from 2026; the tax threshold is not the accounting capitalisation policy	OUG No. 8/2026; when the asset is recognised
Tax depreciation 2026	up to 65% in the first year for eligible new assets in subgroups 2.1 and 2.4	OUG 8/2026; when putting into service and choosing the method
Cash-accounting VAT scheme	5.000.000 lei threshold for 1 March–31 December 2026; 5.500.000 lei from 2027	OUG nr. 8/2026; monthly and before regime change
RO e-Factura	transmission in 5 working days, not exceeding the legal issuance deadline; exceptions and registers updated in 2026	OUG 120/2021, OUG 89/2025 and OUG 8/2026; for each flow version
Correction of D300	no amended VAT return is filed; use adjustments in a subsequent return or the material-error procedure, according to the cause	OPANAF 174/2026 and OPANAF 3.604/2015; at each error
Financial statements 2025	2 June 2026 deadline and electronic filing only	OMF No. 2.036/2025 and the official calendar; annually
Minimum SRL share capital	500 lei for new companies; 5.000 lei when turnover exceeds 400.000 lei, subject to the statutory transition	Law No. 239/2025; on incorporation, at annual closing and through 18 December 2027

The table is a checklist, not a substitute for the law. The exact rule depends on the chargeable-event date, taxpayer category and transitional provisions.

Eight-step update protocol

CONTROLLED UPDATE FLOW

Step	Action	Exit
1. Trigger	monitor a new instrument, form, validator, deadline or incident	Ticket with source and date
2. Authenticity	the published act and the official form are obtained, not only the comments	copy / link, issuer, number, publication
3. Applicability	identify subject, operation, date, entry into force and transition	scope memorandum
4. Difference	old text versus new text, condition by condition	changes matrix
5. Impact	accounts, policies, contracts, taxes, returns, systems, controls and clients	list of affected objects
6. Implementation	procedure, parameters, migration, communication and accountable owner	approved and tested plan
7. Validation	before/after cases, independent recalculation and deliverable verification	test and acceptance evidence
8. Traceability	version, reference date, author, reviewer and archival of the old rule	version log

Sheet of a volatile rule

MANDATORY FIELDS

Field	Example of content
Short rule	e-Factura deadline: 5 business days
Exact authority	act, Article, paragraph and applicable form
Validity	from / to, including the transitional rule
Scope and exceptions	B2B/B2C, tax identification, registers and exempted situations
System parameter	“business day” unit, calendar and alert
Control	daily report invoices issued versus loading index
Last check	date, author, source and version
Next event	Expiry date, new ceiling or scheduled revision

FOR THE ACCOUNTANT

Maintain a legislative register with an accountable owner for each area, official sources, alerts and periodic review. For every change, distinguish publication date, effective date and the first affected reporting period. Retain the version applicable to the transaction, not only the consolidated text consulted today. Link each rule to the software parameter, procedure, control and communication to the client or management. Test an ordinary transaction, boundary cases and the transition. A form change without a change in law may still require implementation; an official communication may require attention but cannot, on its own, rewrite policy.

Exercise F.1 — from official communication to a controlled rule

You receive an official statement announcing the change of a ceiling in two months. The programme uses the old ceiling and three customers are close to the limit. Describe the flow until implementation.

SOLUTION

Identify and archive the published legal instrument. Verify the article, scope, definition of the base, exchange rate or reference period, effective date and transition; retain the communication as explanatory material.

Extract affected clients using the statutory definition, not an approximate report. For each client, simulate the threshold-crossing date and notification or filing obligations.

Modify the parameter with validity date, keeping the old rule for previous periods. Test below the ceiling, exactly at the ceiling, above the ceiling and during the transitional period.

The relevant procedure, control, timing and material shall be updated; the responsible shall be notified. The author and reviewer sign the rule sheet, and the log keeps the source and the tests.

KEY POINTS FROM THIS APPENDIX

- The date of verification and the field are part of any legislative statement.
- The published act establishes the rule; the consolidated form, instruction, communication and validator have different roles.
- Each volatile parameter has grounds, validity, domain, exceptions, implementation, control and owner.
- The update follows the impact up to accounting, taxation, declarations, contracts, system and communication.
- The old rule is archived with its period; it does not overwrite history.