

## **The Accounting Manual: Purpose and Significance for Companies**

by Antonela Papoiu, Tax & Accounting Services

To comply with financial, accounting, and tax laws, Romania requires companies to prepare a formal manual of accounting and valuation principles. This manual is a tool for standardizing accounting practices, explaining valuation and accounting approaches, and ensuring transparency and consistency in financial reporting.

The accounting manual is based on practice; it is intended to avoid subjective interpretations and tax risks and, last but not least, to create confidence in accounting.

### **Applicable legislation, responsible persons**

The accounting manual is regulated by the Accounting Act No. 82/1991. According to this, companies are obliged to “organize and maintain their own accounting in compliance with the applicable accounting and valuation principles”.

Similarly, Order No. 1802/2014 of the Minister of Finance approving the Romanian accounting regulations stipulates that individual accounting and valuation principles must be developed depending on the size, scope of activity, and complexity of existing transactions.

Management is responsible for ensuring the accounting manual is available; in practice, this task is typically delegated to the finance and accounting department or an external service provider. The accounting manual must be regularly supplemented and updated.

### **Examples of accounting principles by area of activity**

The accounting manual must be adapted to each company and reflect its specific characteristics. The most important contents of the manual are presented below using two examples.

#### **➤ Example 1: Companies that manufacture clothing items**

This activity includes the procurement of raw materials, manufacturing, storage of finished products, and their sale. To this end, the accounting manual will mainly pursue the following:

- **Valuation of inventories:** Raw materials, consumables, and finished goods are to be valued at acquisition or production cost using the FIFO method or the weighted average cost method;
- **Depreciation of equipment:** Cutting and sewing machines, as well as other production equipment, are depreciated on a straight-line or declining balance basis in accordance with their economic useful life;
- **Production costs:** Policy for valuing unfinished and finished products, waste or secondary products, and reporting inventory account movements in conjunction with the inventory change account;
- **Sales revenue:** Recording of sales revenue upon delivery of products to the customer, taking into account trade discounts and returns;
- **Provisions for obsolete inventory:** Rules for writing down inventory that is no longer saleable.

For this type of activity, the accounting manual should also include procedures for internal control of production flow and inventory management that directly affect the financial result.

➤ **Example 2: Company that leases office space**

The accounting policy for this will be based primarily on the following principles:

- **Recording rental income:** monthly in accordance with the rental agreements, with separate disclosure of advance payments and late payment penalties;
- **Depreciation of buildings:** Guidelines for the depreciation of real estate, including regular revaluation, recognition criteria, and disclosure of modernizations;
- **Maintenance and repair costs:** Distinction between running costs and capitalized investments, rules for allocating costs to tenants;
- **Provisions for outstanding rent payments:** Rules for creating value adjustments for uncertain receivables, depending on the age and solvency of the tenants;
- **Accounting for collateral:** Recording deposits received from tenants with rules for their recognition and repayment;
- **Property tax and local taxes:** Rules for recording and allocating these expenses.

An essential part of the accounting manual here is a regular assessment of asset market value to ensure correct recording in the financial statements.

## Conclusion

Creating an accounting manual requires in-depth knowledge of accounting and tax regulations, as well as a thorough understanding of the company's business activities.

A well-designed manual contributes to transparency, consistency, and conformity in financial reporting. It can provide strong arguments in tax audits, given that corporate income tax is calculated under accounting principles.

## Contact and further information:



**STALFORT Legal. Tax. Audit.**  
Bucharest – Bistrița – Sibiu

**Office Bucharest:**

T.: +40 – 21 – 301 03 53

F: +40 – 21 – 315 78 36

M: [bukarest@stalfort.ro](mailto:bukarest@stalfort.ro)

[www.stalfort.ro](http://www.stalfort.ro)