

THEORETICAL AND PRACTICAL ASPECTS REGARDING THE REORGANIZATION OF PUBLIC INSTITUTIONS AS FUSION MERGING

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Abstract: Changes in economic and social plan, the need to observe framework agreements with the European Commission and International Monetary Fund, and the need to support business led to the adoption and implementation of appropriate legislative framework on the reorganization of public institutions in Romania. This research is intended to be a model of theoretical and practical overview of the stages of the reorganization of public institutions as fusion merging.

Keywords: public institutions, reorganization of public institutions, consolidation by merger, disposal of assets, disposal of equity and liabilities

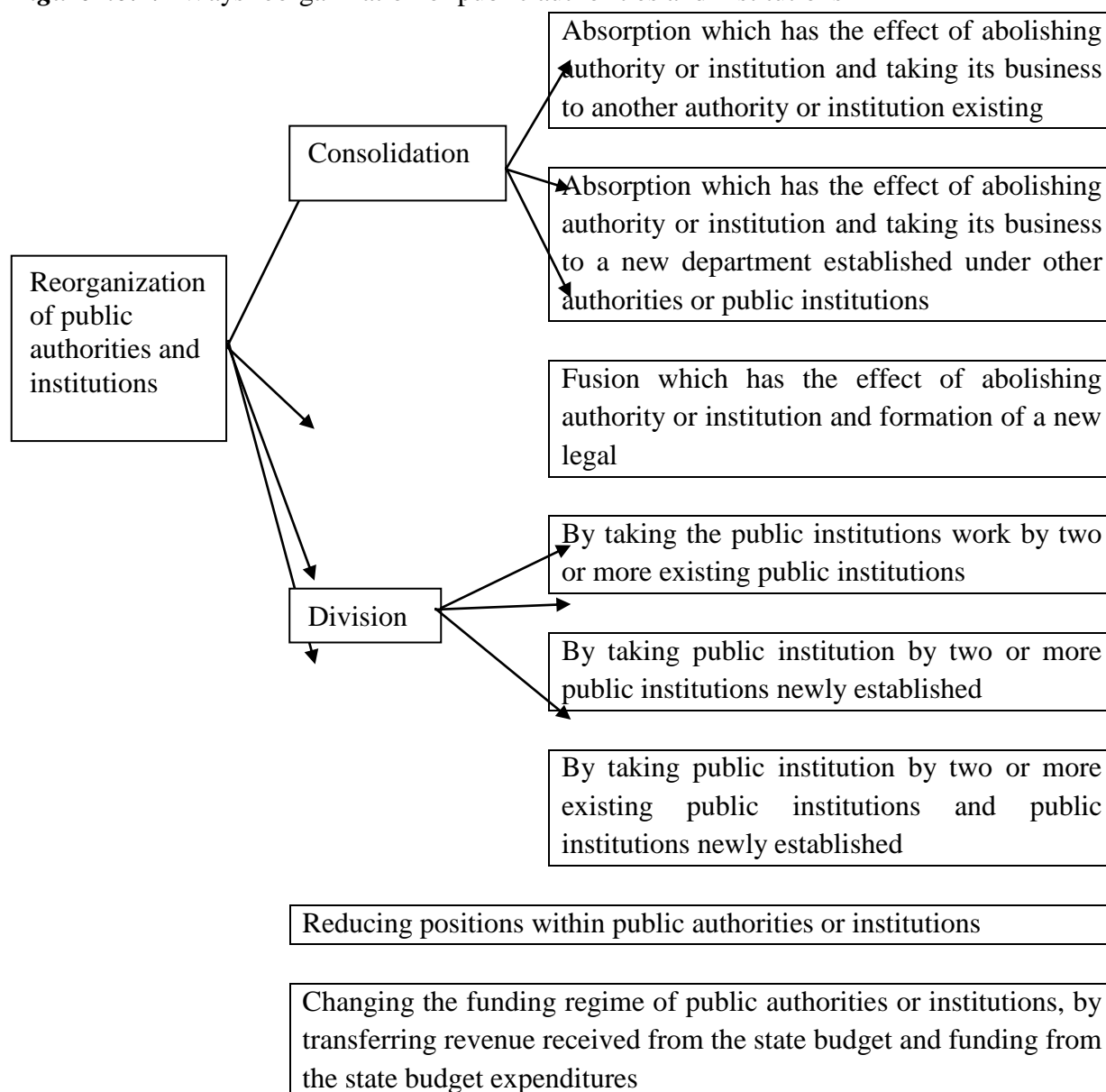
1. Theoretical dimensions on the reorganization of public authorities and institutions. General aspects of the reorganization by merger consolidation as public institutions

Reorganization of public institutions regulated in our country nr.329/2009 Act as amended and supplemented, the Accounting Law No.82/1991 as amended and supplemented. The ways of business reorganization of public institutions are shown schematically in Figure 1.

Reorganization of public institutions in the form of merger consolidation is achieved by dissolution without liquidation of public institutions outgoing and transfer assets, equity and debt by a public institution to be formed for this purpose.

Prior to the consolidation by merger next steps:

- ☞ Is achieved inventory assets in equity and debt in accordance with the accounting regulations in force;
- ☞ Shall be accounted for during inventory differences (pluses and / or minuses quantitative found in inventory that value adjustments for fixed assets and current assets);
- ☞ Financial statements are prepared for the closure of the public institutions will cease operation by reorganizing as consolidation by merger;
- ☞ Publication of the act of reorganization and approval by the principal loan inventory, financial statements and contracts in progress at the time of fusion;
- ☞ Delivery and reception of assets, equity and liabilities based teaching protocols pickup within 15 days of the date of entry into force of legislative acts governing the establishment or reorganization of the public institutions.

Figure no.1. “Ways reorganization of public authorities and institutions”

Source: developed by the author according to article 3 of Law nr.329/2009

New public institution established after consolidation by merger acquires all the assets, equity and debts, that takes existing staff structures in the public institutions outgoing.

Table no. 1. “Examples of newly established public institutions in Romania by abolishing institutions / existing structures as a result of consolidation by merger”

Institutions / structures cease to exist as a result of reorganization through merger consolidation	Structure / new legal person established
Romanian Agency for Foreign Investments consolidation by merger with the Romanian Centre for Trade	Romanian Centre for Trade and Investment
Romanian Centre for Trade consolidation by merger with the Romanian Agency for Foreign Investments	Romanian Centre for Trade and Investment
National Centre for Scholarships Abroad consolidation by merger with the credit agency for students in institutions of higher education and	Agency Loans and Scholarships

Institutions / structures cease to exist as a result of reorganization through merger consolidation private accredited	Structure / new legal person established
National Centre for Professional Development Bucharest consolidation by merger with the National School of Public Health and Health Management Bucharest	National School of Public Health, Management and Professional Development Bucharest
Agency Loans for Students in Higher Education Institutions of State and private accredited fusion merging with the National Centre for Study Abroad Scholarships	Agency Loans and Scholarships Agency Loans and Scholarships
National Inspectorate for Persons fusion merging with National Centre Management on Personal Records Database	Directorate for Personal Records and Administration Database

Source: developed by the author as Annexes 1, 2 of the Law nr.329/2009

2. Case study on the reorganization of public institutions in the form of consolidation by merger

Public institutions “X” and “Y” fully financed from own revenues, is reorganized as consolidation through merger. After merging fusion is established public institution “Z”.

Following the inventory made at the public institutions “X” under the O.M.F.P. No. 2861/2009 with subsequent amendments were noted against the following quantitative differences, and value are recorded in the accounts as follows:

1. Pluses inventory held at the cashier where they found extra vouchers worth 1,765 lei for which the cashier has no justification:

53206	=	750	1,765 lei
“Vouchers Feed”		“Income Property”	

2. Missing auxiliary materials with a book value of 35 lei, 50 lei current value. The employee admits his guilt and submit to the cashier counter products damage the institution:

a. Out of stock records found missing from the inventory:

60201	=	30201	35 lei
“Expenditure on ancillary materials”		“Ancillary materials”	

b. Imputation in task manager guilty registration:

4280102	=	%	<u>50 lei</u>
“Other claims related to staff in one year”			

791		35 lei
“Revenues from the sale of assets belonging to the state”		

44801		15 lei
“Other liabilities to the budget”		

c. Submission by the manager of the consideration attributable to the cashier stock:

53101	=	4280102	50 lei
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“Cashier lei”		“Other claims related to staff in one year”	
3. Pluses of materials in the warehouse inventory objects worth 65 lei:			
30301	=	603	65 lei
“Materials inventory objects in storage”		“Expenditure on the inventory objects”	
4. Registering value adjustments for impairment of consumables because the carrying amount of 300 lei and 270 lei inventory value:			
6810401	=	39201	30 lei
“Operational expenditure adjustments for depreciation of current assets / stock”		“Obsolescence allowances on consumables”	
5. Recording depreciation on fixed assets and intangible assets owned before the merger:			
a. Amortization of software:			
68101	=	28008	100 lei
“Operational expenditure on depreciation of fixed assets”		“Amortization of other intangible assets”	
b. Depreciation of buildings:			
68101	=	28102	1,000 lei
“Operational expenditure on depreciation of fixed assets”		“Depreciation of buildings”	
c. Depreciation of vehicles:			
68101	=	28103	300 lei
“Operational expenditure on depreciation of fixed assets”		“Depreciation of plant, vehicles, animals and plantations”	
d. Amortization of computer:			
68101	=	28104	200 lei
“Operational expenditure on depreciation of fixed assets”		“Depreciation of furniture, office automation equipment, protective equipment and material human values and other tangible fixed assets”	
6. Registration of building revaluation (net book value method), knowing the following gross carrying amount of 48,000 lei and 8,000 lei depreciation recorded, current market value (fair value) 34,000 lei and 4,000lei existing revaluation difference:			
a. Cancellation of accumulated depreciation recorded			
28102	=	212	8,000 lei
“Depreciation of buildings”		“Construction”	
b. Registration revaluation difference:			
net accounting value = Gross value accounting - depreciation		48,000 – 8,000 =	40,000 lei
present value (fair value)		34,000 lei	
current revaluation difference		- 6,000 lei	
existing revaluation difference		4,000 lei	

depreciation adjustment (expenditure on value adjustments) - 2,000 lei

Accounting will be recorded as follows:

% = 212 6,000 lei
 “Construction”

10502 “Buildings revaluation reserve” 4,000 lei

68103 “Operating expenses Impairment on fixed assets” 2,000 lei

7. Clearance of expenditure and revenue:

a. Clearance of expenditure:

121 = % 3,600
 “The result patrimonial”

b. Clearance of revenue:

% = 121 1,800
 “The result patrimonial”

60201	35	750	1,765
603	- 65	791	35
68101	1,600		
6810401	30		
68103	2,000		

Trial balance before and after inventory public institution "X":

Account Symbol	Account Name	Final balance before inventory		Final balance after inventory	
		D	C	D	C
101	Fund assets that make up the state's public		126,000		126,000
10502	Buildings revaluation reserve		4,000		0
117	Reported result		7,000		7,000
121	The result patrimonial		2,000		200
20801	Software	5,000		5,000	
212	Construction	48,000		34,000	
21303	Means of transport	10,000		10,000	
214	Furniture, office equipment, equipment for protection of human and material values and other intangible fixed assets	12,000		12,000	
28008	Amortization of other intangible assets		1,500		1,600
28102	Depreciation of buildings		7,000		0
28103	Depreciation of plant, vehicles, animals and plantations		5,200		5,500
28104	Depreciation of furniture, office automation equipment, protective equipment and material human values and other tangible fixed assets		2,300		2,500
30201	Auxiliary materials	1,000		965	

30202	Fuels	4,000		4,000	
30301	Materials inventory objects in storage	2,000		2,065	
30302	Materials inventory objects into use	4,000		4,000	
39201	Obsolescence allowances on consumables		0		30
40101	Suppliers under 1 year		10,000		10,000
40102	Suppliers over 1 year		20,000		20,000
41101	Customers with a maturity of one year	3,000		3,000	
4090101	Suppliers borrowers for purchases of goods such as stocks	1,000		1,000	
4090102	Suppliers borrowers for services and performance of works	1,000		1,000	
421	Staff salaries, due		10,000		10,000
43101	Employer contributions for social insurance		900		900
43102	Insured for social security contributions		300		300
43103	Employer contribution for health insurance		500		500
43104	Contributions for health insurance policyholders		500		500
43105	Employer contributions for work accidents and occupational diseases		200		200
43107	Employers' contributions holidays and allowances		100		100
43701	Employer contributions for unemployment insurance		400		400
43702	Insured for unemployment insurance contributions		400		400
43703	Employers' contributions to the fund for payment of wage claims		100		100
444	Tax on income from wages and other entitlements		1,600		1,600
44801	Other liabilities to the budget		0		15
51201	Treasury accounts and the credit institutions in lei	55,000		55,000	
53101	Cashier in lei	5,000		5,050	
53204	For motor fuels vouchers	18,000		18,000	
53206	Vouchers Feed	7,000		8,765	
560	Available public institutions financed entirely from own	24,000		24,000	
SUM		200,00 0	200,00 0	187,84 5	187,84 5

Following the inventory made at the public institutions "Y" under O.M.F.P. No. 2861/2009 with subsequent amendments no differences was found:

Trial balance before and after inventory public institution "Y":

Account Symbol	Account Name	Final balance before inventory		Final balance after inventory	
		D	C	D	C
101	Fund assets that make up the state's public		132,50 0		132,50 0

117	Reported result		2,000		2,000
121	The result patrimonial		3,000		3,000
20801	Software	2,000		2,000	
212	Construction	54,000		54,000	
214	Furniture, office equipment, equipment for protection of human and material values and other intangible fixed assets	8,000		8,000	
28008	Amortization of other intangible assets		1,000		1,000
28102	Depreciation of buildings		5,000		5,000
28104	Depreciation of furniture, office automation equipment, protective equipment and other tangible fixed assets		3,000		3,000
30208	Other consumables	3,000		3,000	
39201	Obsolescence allowances on consumables		500		500
40101	Suppliers under 1 year		8,000		8,000
40102	Suppliers over 1 year		22,000		22,000
41101	Customers with a maturity of one year	15,000		15,000	
421	Staff salaries, due		20,000		20,000
43101	Employer contributions for social insurance		1,800		1,800
43102	Insured for social security contributions		600		600
43103	Employer contribution for health insurance		1,000		1,000
43104	Contributions for health insurance policyholders		1,000		1,000
43105	Employer contributions for work accidents and occupational diseases		400		400
43107	Employers' contributions holidays and allowances		200		200
43701	Employer contributions for unemployment insurance		800		800
43702	Insured for unemployment insurance contributions		800		800
43703	Employers' contributions to the fund for payment of wage claims		200		200
444	Tax on income from wages and other entitlements		3,200		3,200
51201	Treasury accounts and the credit institutions in lei	80,000		80,000	
53101	Cashier in lei	10,000		10,000	
560	Available public institutions financed entirely from own	35,000		35,000	
SUM		207,000	207,000	207,000	207,000

Balance sheets prepared under trial balances prepared after inventory on the two public institutions is as follows:

curr ent Issu e	INDICATORS	row code	Public Institution “X”	Public Institution “Y”
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current Issue	INDICATORS	row code	Public Institution “X”	Public Institution “Y”
A	B	C		1
A.	ACTIVE	1		
	NON-CURRENT ASSETS	2		
1.	Intangible fixed assets	3	3,400	1,000
2.	Technical installations, vehicles, animals and plantations, furniture, office equipment and other tangible assets	4	14,000	5,000
3.	Land and buildings	5	34,000	49,000
4.	Other non-financial assets	6	0	0
5.	Non-current financial assets (long term investment) over a year	7	0	0
	Equity securities	8	0	0
6.	Non-current receivables - amounts to be recovered after more than one year	9	0	0
	Non-current trade receivables - amounts to be recovered after more than one year	10	0	0
7.	TOTAL NON-CURRENT ASSETS (rows 03+04+05+06+07+09)	15	51,400	55,000
	CURRENT ASSETS	18		
1.	Stocks	19	11,000	2,500
2.	Current receivables - amounts to be received within a period of less than one year - Total, of which:	20	5,000	15,000
	Commercial receivables and advances to:	21	5,000	15,000
	Commercial receivables	22	3,000	15,000
	Advances granted to	22.1	0	0
	Claims budget of which:	23	0	0
	General government claims	24	0	0
	Claims of Community operations	25	0	0
	Amounts received from the European Commission	26	0	0
	Short-term loans granted	27	0	0
	Total current receivables (rows 21 +23 +25 +27)	30	0	0
3.	Short-term investments	31	0	0
4.	Cash and bank deposits of which:	32	110,815	125,000
	Accounts treasury, cash, other assets, cash advances	33	110,815	125,000
	of which: deposits	34	0	0
	Accounts credit institutions, home, cash advances	35	0	0
	of which: deposits	36	0	0
	Total disposable (rows 33+35)	40	110,815	125,000

current Issue	INDICATORS	row code	Public Institution “X”	Public Institution “Y”
5.	Deposits with the central treasury	41	0	0
	Prepaid expenses	42	0	0
	TOTAL CURRENT ASSETS (rows 19+30+31+40+41+42)	45	126,815	142,500
	TOTAL ASSETS (rows 15+45)	46	178,215	197,500
B.	DEBTS	50		
	NON-CURRENT DEBTS - amounts to be paid within a period of less than one year	51		
1.	Non-current amounts payable, including:	52	20,000	22,000
	Commercial debts	53	20,000	22,000
2.	Long-term loans	54	0	0
3.	Provisions	55	0	0
	TOTAL NON-CURRENT DEBTS (rows 52+54+55)	58	20,000	22,000
	CURRENT DEBTS - amounts to be paid within a period of up to one year - total of which:	59	10,015	8,000
1.	Commercial debts and advances and other settlements, including:	60	10,000	8,000
	Commercial debts	61	10,000	8,000
	Advances received	61.1	0	0
2.	Debts to budget of which:	62	15	0
	Debts to budgets of public institutions, including:	63	15	0
	Social contributions	63.1	0	0
	Amounts due from external grants	64	0	0
3.	Debts transactions in external grants and funds from the budget, other debts to international organizations	65	0	0
	of which amounts owed by the European Commission	66	0	0
4.	Short term borrowings - amounts to be paid within a period of up to one year	70	0	0
5.	Long-term loans - amounts to be paid in current year	71	0	0
6.	Employee salaries and related contributions	72	15,000	30,000
7.	Other rights of other categories of people (pensions, unemployment benefits, grants)	73	0	0
	Pensions, unemployment benefits, scholarships	73.1	0	0
8.	Revenue in advance	74	0	0
9.	Provisions	75	0	0
10.	TOTAL CURRENT DEBTS (rows 60+62+65+70+71+72+73+74+75)	78	25,015	38,000
11.	TOTAL DEBTS (rows 58+78)	79	45,015	60,000

%	= 892	<u>187,845</u>	%	= 892	<u>207,000</u>
	“Closing Sheet”	Balance		“Closing Sheet”	Balance
101		126,000	101		132,500
117		7,000	117		2,000
121		200	121		3,000
28008		1,600	28008		1,000
28103		5,500	28102		5,000
28104		2,500	28104		3,000
39201		30	39201		500
40101		10,000	40101		8,000
40102		20,000	40102		22,000
421		10,000	421		20,000
43101		900	43101		1,800
43102		300	43102		600
43103		500	43103		1,000
43104		500	43104		1,000
43105		200	43105		400
43107		100	43107		200
43701		400	43701		800
43702		400	43702		800
43703		100	43703		200
444		1,600	444		3,200
44801		15			

Receipt of assets, liabilities and equity of the newly established public institution “Z” in public institutions “X” and “Y” based on teaching reception protocol:

a. Receiving assets:

Assets received from the public institution “X”			Assets received from the public institution “Y”		
%	= 891	<u>187,845</u>	%	= 891	<u>207,000</u>
	“Opening balance”			“Opening balance”	
20801		5,000	20801		2,000
212		34,000	212		54,000
21303		10,000	214		8,000
214		12,000	30208		3,000
30201		965	41101		15,000
30202		4,000	51201		80,000
30301		2,065	53101		10,000
30302		4,000	560		35,000
41101		3,000			
4090101		1,000			
4090102		1,000			

51201	55,000
53101	5,050
53204	18,000
53206	8,765
560	24,000

b. Receipt of debt and to equity:

Debt and equity received from the public institution “X”

891	=	%	<u>187,845</u>
“Opening balance”			

Debt and equity received from the public institution “Y”

891	=	%	<u>207,000</u>
“Opening balance”			

101	126,000
117	7,000
121	200
28008	1,600
28103	5,500
28104	2,500
39201	30
40101	10,000
40102	20,000
421	10,000
43101	900
43102	300
43103	500
43104	500
43105	200
43107	100
43701	400
43702	400
43703	100
444	1,600
44801	15

101	132,500
117	2,000
121	3,000
28008	1,000
28102	5,000
28104	3,000
39201	500
40101	8,000
40102	22,000
421	20,000
43101	1,800
43102	600
43103	1,000
43104	1,000
43105	400
43107	200
43701	800
43702	800
43703	200
444	3,200

Rethinking the whole institutional system, reorganizing and reforming activity at public institutions in Romania is based on the following assumptions:

- ↳ need to streamline the activities of public institutions linked to the government's priorities for reform in public administration;
- ↳ urgency of establishing economic and financial measures in the public institutions, due to the severe economic downturn threatening the economic stability of Romania;
- ↳ ensure the commitments by the Government during negotiations loan agreements with financial institutions and framework agreements with the European Commission;
- ↳ Budgetary constraints and compliance with the allocated funds etc.

Given the current global financial context, ensuring the prerequisites for the establishment of new institutions to adapt to the existing financial situation corresponding economic reality requires the adoption of urgent measures to ensure the purpose of strengthening the existing legal framework, and organization.

Failure reorganization of public institutions can prevent proper organization of activities and the impossibility of improving the institutional conditions of activities, both in terms of organization and operation, and in financial terms, in terms of framing the budget income and expenditure approved.

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