

PROBLEMATIC ASPECTS OF ACCOUNTING AT MOTOR TRANSPORT ENTERPRISES

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Abstract: Given Moldova's legislative requirements on accounting and taxation following International Standards, several problems, discussed in this article, concerning accounting practices in motor transport enterprises remain unresolved. To address this, certain challenges and potential solutions are offered. The article mainly examines the correlation between theoretical and practical aspects of accounting in motor transport enterprises.

Key words: motor transport, accounting, problems income expenses, standards, solutions.

JEL Classification: M41

Introduction

Studies on the accounting practices of national motor transport enterprises show that most do not differentiate between the concepts of costs and expenses or calculate the cost price for each service provided individually. Instead, many directly incorporate incurred expenses into the cost of sales and determine the financial outcome in monetary terms based on the total volume of services rendered. The distinction between costs and expenses has not been formally recognized in national accounting science and practice since 1998, following the National Accounting Standard 3 (NAS)

Costs and expenses in domestic science and practice have not been identified as concepts since 1998, when the National Accounting Standard 3 (NAS) "Composition of Costs and Expenses" was adopted.

The term "expenses" became used widely at the beginning of the 20th century, simultaneously with the emergence of the dynamic concept, according to which the financial result is defined as the difference between the income and expenses of the enterprise. As we find in "Corporate Financial Resources" Dictionary, "an expense in accounting is the money spent, or costs incurred, by a business in their effort to generate revenues. Essentially, accounts expenses represent the cost of doing business; they are the sum of all the activities that hopefully generate a profit" (Corporate Financial Resources, 2024).

The definition of the "costs" term today in the current regulatory acts of the Republic of Moldova is considered directly in the "Methodological Guidelines on Accounting of Production Costs and Calculation of the Cost of Products and Services" (hereinafter referred to as the Methodological Guidelines): "Production costs are resources presented in monetary terms and spent for the production of products/provision of services" (Cod transporturilor rutiere, 2014). Domestic NAS clearly define costs in construction and agriculture, in this regard, such NAS as "Construction Contracts", "Features

of Accounting in Agriculture" have been developed and put into effect, however, in our opinion, an important issue is the clear definition of costs and expenses in motor transport enterprises.

Transport service is the final process of material production and at the same time the first stage of production or final consumption.

Motor transport companies operating in the Republic of Moldova provide a wide range of services:

- passenger transportation on urban, suburban, intercity and international routes;
- luggage transportation;
- storage rooms;
- mother and childcare services;
- freight transportation;
- forwarding, etc.

As studies show, 80% of motor transport companies do not use management accounts in their accounting practices, and therefore do not determine the cost of services provided for their main type of activity.

At present, a service is defined as the direct movement of goods in space, as well as any operation that is not a movement operation, but ensures its preparation and implementation, namely: packaging and marking of goods, their packaging, intermediate storage, and transportation of passengers.

Accounting

The primary activity of an enterprise pertains to the production of goods and/or the provision of services, representing the main purpose of its operations. Consequently, managers of such enterprises, along with other users of accounting information, often do not have enough critical data required for effective analysis and strategic business planning. In case of the enterprises studied, the majority record all expenses associated with vehicle used in their operations directly under account 711 "**Cost of sales**", **sub-account 7113 "Cost of services rendered"** without distinguishing by rolling stock or by each motor vehicle separately.

As a rule, motor transport enterprises incur direct costs, which, according to the "**Methodological Guidelines**", are given the following definition:

Direct costs are costs that can be attributed to a specific calculation object directly without intermediate calculations (Cod transporturilor rutiere, 2014).

Direct costs of motor transport enterprises include costs for:

- a) fuel and lubricants;
- b) wages of drivers;
- c) contributions for social and health care insurance derived from the drivers' accrued wages;
- d) travel expenses incurred by drivers;
- e) Motor vehicle repairs conducted in compliance with legal requirements, among other expenses.

This list may be expanded further based on the specific operational characteristics of motor transport enterprises.

Thus, for the reporting period it is possible to get the necessary information on the amount of costs for each motor vehicle separately.

Along with direct costs, there may also be indirect production costs, which are defined as follows:

"Indirect production costs are costs associated with the management and maintenance of the production units of the entity" (Cod transporturilor rutiere, 2014).

Based on this definition and activities of motor transport enterprises, indirect production costs may include the following:

- a) salary of the rolling stock manager;
- b) payments for social and medical insurance calculated from the accrued salary of the rolling stock manager.
- c) the manager's communication services;
- d) travel expenses, etc.

In other words, indirect production costs should be subject to distribution and relate directly to the provision of motor transport services.

The accountants of the motor transport enterprises we studied, guided by the **NAS "Expenses"**, write off most of the taxes or entertainment costs (expenses) to administrative expenses.

In our opinion, it would be more appropriate to account for road usage fees and other vehicle-specific annual charges not as part of administrative expenses but rather as costs allocated to each individual vehicle unit.

In this regard, we consider it necessary to open a sub-account **8211 "Mandatory fees from motor vehicles"** to account 821 "Indirect production costs" and offer a nomenclature of analytical accounts:

- **82111 "Fee for the provision of services for the carriage of passengers by road";**
- **82112 "Fee for parking vehicles";**
- **82113 "Fee for the use of water"**

The same proposal applies to the landscaping tax, which is calculated quarterly based on the average headcount of the enterprise's employees/staff, thereby allowing for the drivers of motor vehicles to be singled out separately.

Therefore, we believe it is necessary to propose taking into account part of the landscaping tax, calculated based on the average headcount of drivers and rolling stock management, quarterly accounting for the account:

- **82114 "Fee for landscaping, calculated from services".**

In our opinion, the proposed nomenclature of analytical accounts will provide a more precise representation of the financial data for motor transport enterprises, ensuring that such information is ultimately reflected in the cost of services rendered. However, it is ambiguous how entertainment expenses are categorized as administrative expenses in the enterprises we studied, given that the reception of foreign delegations is largely tied to the production processes of motor transport enterprises. Taking into account all above said, we consider it necessary to offer motor transport enterprises to keep records for each motor vehicle unit using management accounting accounts, which will form costs by responsibility centers, as well as accounting for the cost of sales from motor transport services rendered using analytical accounting accounts for account **711 "Cost of sales"** also for each motor vehicle separately.

In addition to all said above, we believe it is necessary to introduce into the accounting practice of motor transport enterprises, for complete information on costs and expenses, which may be necessary for managers and other users to make decisions, the accounting of costs and expenses by types of transportation: urban, suburban, intercity and international. Based on all details mentioned, we can conclude that in accordance with the current legislation, it is necessary for motor transport enterprises to develop a regulatory document (regulation) on the recognition and accounting of costs and expenses.

It is still unclear why the entertainment expenses of the motor transport enterprise are written off as administrative expenses of the enterprises under study, as the majority of the reception of foreign delegations is connected to the production process of the motor transport enterprises.

After all, according to the NBU, the main purpose of financial statements is to provide useful information necessary for making economic decisions by a variety of users, such as: owners (shareholders, participants), creditors, clients/customers, employees, public institutions and the public. Naturally, the recognition of income and expenses at the motor transport enterprise, as well as at other enterprises, should be based on basic assumptions, such as accrual, continuity, consistency of methods, and guarantee compliance with the following fundamental principles of accounting: non-repayment, autonomy (independence) of the enterprise, priority of content over form, periodicity, prudence. However, it is important to combine correctly these principles in the practice of economic activity. Additionally, it should be noted that due to the specifics of the implementation of motor transport activities, especially when transporting passengers, the process of providing services coincides temporarily with the moment of receiving funds and recognizing income. This does not mean that ATPs recognize income using the cash method, for example, when selling tickets. Today there are no instructions or guidelines for maintaining accounting records of income and expenses for ATPs in Moldova.

The Road Transport Code (Cod transporturilor rutiere, 2014) regulates the basic terms and conditions for the implementation of road transport of passengers, baggage/luggage and cargo on the territory of the Republic of Moldova by transport companies, including transport agents of other countries, with the exception of special road transport. Research shows that at road transport enterprises (RTE), including bus stations and taxi service agencies, compliance with the principle of presentation consistency requires recognizing the corresponding amount of the cost of services rendered, which predetermined the amount of recognized income, simultaneously with the recognition of income. Following this principle, it is necessary to reflect the cost of services provided, which can be measured by the planned (standard) or actual amount. The principle of consistent presentation - implies maintaining the order of presentation and classification of elements of financial statements from one reporting period to the next, except in cases where:

a) as a result of a significant alteration in the nature of the entity's activities or as a result of an analysis of the financial statement indicators, another presentation or classification of elements of financial statements is more appropriate taking into consideration the methods and techniques of accounting policies developed in accordance with NAS "Accounting Policies, Changes in Accounting Estimates, Errors and Subsequent Events";

b) the order of presentation of elements of financial statements was modified in the National Accounting Standards (Standardele Naționale de Contabilitate, 2013).

If the ATP determines the planned or standard cost of freight transportation services, the cost of sales will be recognized at the time of revenue recognition as the product of:

- a) the planned (standard) cost of one km traveled without cargo and the actual mileage without cargo (km);
- b) the planned (standard) cost of one km traveled with cargo and the actual mileage with cargo (km);
- c) the planned (standard) cost of 1 t/km and the volume of work performed in t/km, etc.

At the end of the month, the real cost of the rendered transportation services is determined, the amount of deviations of this cost from the planned (standard), which is written off by an additional accounting entry (if the deviations are positive) or by reversing it (if the deviations are negative).

The conducted studies show that some enterprises do not determine the planned (standard) cost of freight transportation services. In this case, until the end of the month the cost of sales is not recognized at the time of recognition of income received from the provision of services. Recognition of the cost of sales is postponed until the end of the month, when the actual cost of transportation services is determined. Consequently, only one accounting entry is made for the amount of the actual cost of sale of services. Naturally, the question arises about the violation of the principle of consistency in this case. We believe that there is no violation of this principle. After all, at the end of the month, for the same reporting period and for the entire volume of services provided, a calculation of the cost of services sold must be made and recognized as expenses.

In our opinion, the option for determining the cost must be reflected in the accounting policy of the enterprise.

1. Write-off of the planned or standard cost of services rendered:

**Debit 711 "Cost of sales", sub-account 7113 "Cost of services rendered",
Credit 811 "Main activity"** (Planul general de conturi contabile, 2013).

So, the amount of deviations from the planned (standard) cost of services rendered is determined at the end of the month, based on the actual calculation of transportation services. Depending on the nature of the deviations, an accounting entry is made.

2. Write-off of deviations of actual cost from planned (standard) cost using regular figures (numbers), when the sum of deviations is positive:

**Debit 711 "Cost of sales", sub-account 7113 "Cost of services rendered",
Credit 811 "Main activity"** (Planul general de conturi contabile, 2013).

A similar accounting entry, but with negative numbers, will be made when writing off negative deviations of the actual cost from the planned (standard) cost.

When a motor transport enterprise or a freight forwarding company does not calculate the planned (standard) cost of transportation services, it reflects income during the month, and at the end of the month - writing off the actual cost of services rendered without first writing off the planned or standard cost by accounting entry (3). Option with positive numbers.

3. Receipt of funds to pay off the accounts receivable of the recipient (customer):

**Debit 242 "Current accounts in national currency", 241 "Cash", 243 "Current accounts in foreign currency", or another account,
Credit 221 "Commercial accounts payable"** (Planul general de conturi contabile, 2013).

According to the qualitative characteristics of financial statements, the information must be reliable and comparable, where:

reliability – the information must be complete, neutral and without material errors;

comparability – financial statements must contain comparable information related to the previous period for all reporting elements of the current reporting period, unless otherwise permitted by National Accounting Standards (Planul general de conturi contabile, 2013).

The question of determining which activities are core or which income can be classified as income from ordinary activities is controversial and debatable. An enterprise may be created initially for the purpose of deriving benefits from the right to own assets owned by it, and this method of deriving income is specified in its constituent documents. Then income from leasing property, using intellectual property for a fee, income from participation in the capital of other organizations,

regardless of their size and regularity of receipt, are recognized as revenue - income from ordinary activities, i.e. core income.

Income from the provision of services is recognized if the following conditions are simultaneously met:

- 1) the amount of income can be reliably measured;
- 2) it is probable that the economic benefits related to the transaction will be received by the entity;
- 3) the stage of completion of the transaction as of the reporting date can be reliably measured; and
- 4) the costs incurred in performing the transaction and the costs of its completion can be reliably measured.

In order to normalize the accounting process, based on the practice of ATP research, and also in order to organize correctly the accounting of income and expenses from core activities, we consider it necessary to form income and cost of sales based on the proposed classification, and take into account the following during their final formation, for example:

Sales revenue:

611 "Sales revenue":

6113 "Income from services rendered":

61131 "by route type";

61132 "by transportation type";

61133 "by activity specifics".

Similarly, cost of sales: 711 "Cost of sales":

7113 "Cost of services rendered":

71131 "by route type";

71132 "by transportation type";

71133 "by activity specifics".

Further, for more detailed accounting, it is possible to propose sub-accounts for the formation of sales revenue and cost of sales, based on the classification of types of routes, types of motor transportation, and specifics of the activity.

We would also like to determine the expenses related to long-term assets.

The question is for what reasons, for example, should the book value and expenses on retired long-term tangible or financial assets be related to the above-mentioned group of expenses, if this is directly related to the main activity of the enterprise (for example, a car used in the activity and sold).

The Accountants of the motor transport enterprises under study, guided by the National Accounting Standard (NAS) "Expenses," typically allocate most taxes and entertainment costs to administrative expenses. However, in our opinion, it would be more appropriate to account for road usage fees and other vehicle-specific annual charges not as administrative expenses but as costs attributed to each individual motor transport unit (Planul general de conturi contabile, 2013), (Legea contabilității și raportării financiare), (Codul fiscal al Republicii Moldova, 2007).

Conclusion

1. The practice of research of accounting of revenues and cost of sales of motor transport enterprises has allowed us to state that the majority of enterprises do not determine revenues and cost of sales based on: types of routes, transportation, and specifics of the activity.

2. For the purposes of management accounting and the usefulness of information for managers, we consider it necessary to propose accounting of revenues and cost of sales based on the classification considered.
3. In order to improve the accounting of revenues and expenses of motor transport enterprises in the Republic of Moldova, it is necessary to develop special Methodological Guidelines, since there is no uniform approach in the accounting practice of enterprises.
4. Use a more detailed approach to the problem of determining the cost of services rendered, namely, determining the planned (standard) cost, such information will allow managers to make the right management decisions.
5. Based on the above, we consider it necessary to offer to take into account the costs of core activities under account 811 "Main activity". Such accounting complies with the Methodological Standards for the Use of Accounting Accounts, the Chart of Accounts in relation to the reflection of income and costs (expenses) of core and other activities, thereby excluding the use of sub-account 6113 "Income from the Provision of Services" opened by bus stations to the synthetic account 611 "Income from Sales" and the accounting of other income in accordance with our previously proposed classification of income from other types of activities using account 612 "Other Operating Income". Such information will be useful for both managers and users of financial statements.

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