

ACCOUNTING EXPERTISE – A PRACTICAL APPROACH. SEPARATE REPORT

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Abstract: *The study on the accounting expertise - report separate from(?) follows the research direction of the accounting services field. The accounting expertise is the work drafted by the accounting professional upon the request of the accounting information consumer in order to substantiate economic decisions or to be used as means of evidence to solve cases that require specialty knowledge. Used as means of evidence in civil and criminal trials, it is subject to the procedures in this field where the court appoints chartered accountants and may approve advisor experts to draft specialty works. The purpose of this case study is to outline the coordinates of accounting expertise report separate in a civil trial?*

Key words: *accounting expertise, adviser expert, separate report, means of evidence.*

1. Introduction

Judicial accounting expertise is the means of evidence admitted by the court at the request of the parties to solve commercial or civil matters being deferred for a verdict. Essentially, the paper involves a broad scientific research of economic phenomena and transactions to express an opinion that shall be used by the judiciary authorities in making a decision.

In any field, customer satisfaction is directly proportional to the quality of services and products it receives (Neacsu, 2017). There are circumstances when commercial issues arise and then a Judicial accounting expertise is necessary for their settlement.

Accounting expertise originates in the provisions of Government Order no. 65/1994 on the organization of accounting expertise and chartered accountants (amended by the Law No. 162/2017 on the statutory audit of the annual financial statements and the consolidated annual financial statements and amending some regulations).

The professional regulation of this activity is carried out by the Professional Standard no. 35 – Accounting expertise (VIIth edition, revised and updated in 2016), and the procedural regulation considers the Civil Procedure Code and the Criminal Procedure Code.

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As such, judicial accounting expertise involves a certain working methodology described in detail in the Professional Standard no. 35 and in the Basic General Norms applicable to all the chartered accountant missions, chartered accountants having the legal and moral obligation to carry out their activity of accounting expertise with integrity, objectivity and professionalism.

The accounting expertise report is intended to clarify the circumstances of the parties in the form of objectives approved by the court. There are cases when, upon the request of the parties, the court approves expert advisers (Civil Procedure Code, Article 330, paragraph 5) who participate in the expertise as advisors of the parties. In this case, they can provide information, work with the expert, ask questions and make remarks.

The expert advisers signs the accounting expertise report drawn up by the expert accountant appointed by the court on each page specifying "with separate opinion" and in these circumstances he/she must present the grounded separate opinion (in the same report) or "with a separate report" and in these circumstances draws up a *separate report*.

This paper presents the practical approach of drawing up a separate accounting expertise in case number 1455/67/2015 pending at Brasov Court of Appeal. The study developed by the expert accountant is the result of professional competence, contributing as a basis for a fair decision in the act of justice [Expert Guidelines, 2010].

2. Research Methodology

The paper on the *Accounting Expertise Report Separate* aims at presenting, using the case study research method, the situation of the survey approval and the appointment of experts according to the Civil Procedure Code and the Professional Standard no. 35-Accounting Expertise. The main objectives of the research are:

- Establishing the conditions in which the separate report is drawn up;
- Identifying the components of the separate report;
- Explaining the usefulness of an *Accounting Expertise Report Separate*.

Starting from the legal and professional regulatory framework on the accounting expertise, it can be essentially established that the advisor expert accountant appointed by the parties and approved by the court appeals to the elaboration of the *Accounting Expertise Report Separate* when different opinions on the factual situation considered for ruling appear. In the *case study* presented below, an *Accounting Expertise Report Separate* is analyzed.

3. Elaboration of the Accounting Expertise Report Separate

The accounting expertise report separate has the same components as the one drafted by the expert accountant appointed by the court, *namely: Ch I. Introduction, Ch. II. Conduct of accounting expertise and Ch. III. Conclusions* (Professional Standard No. 35). The information contained in each part of the survey is presented in the research results.

3.1. Chapter I. *Introduction*

The presentation of the information on the appointment of the adviser expert by the court order, the parties of the case and the subject matter of the case shall be made in the first part of the survey. Moreover, the objectives approved by the court at the request of the parties are announced. The inventory and structure of documentary material in the case file, requested by the advisor expert recommended by the parties and approved by the court is a different paragraph supplementing the "Introduction" of the accounting expertise report separate.

In this research, we present some of the most representative issues of the separate accountancy survey in the above-mentioned case. Moving from the theoretical to the applicative point of view (case study), the course of the events is: the adviser expert, recommended by the defendant and approved by the court, participates in the summons made by the court-appointed accountant and actively takes part, together with the appointed expert, in all the work and activities. In order to ensure that the activities of the program that the accountant adviser draws up in accordance with the logical and critical thinking of the objectives of the expertise are quickly carried out, he summarizes the arguments for supporting the evidence in the case file in a report separate. The circumstances in which the dispute arose refer to the company's crediting agreements in which person X – appealing claimant, holding a special mandate from the sole shareholder, would have borrowed the company Y SRL with 400,000 lei, amount requested by the suing petition. To solve the case, the court orders the accounting expertise evidence and the following objectives are set: "A. *Determining the total amounts contributed by the person X as a crediting company, as it comes out of the accounting records of defendant company Y SRL and B. Determining the reality of the documents filed by the person X in the probation of the claims in the suing petition*". The stage of documenting the separate expertise elaboration of the adviser expert appointed by the defendant covered the study of the following documents (below, the essential documents for understanding this research):

- the Articles of Incorporation of the company Y SRL;
- the Special Power of Attorney no. 25xx/01.03.2011 authorizing the appealing – claimant – Person X to represent with full powers in all the issues related to the company's control, administration and management;
- Statement no. 18xx/02.09.2013 to revoke the special power of attorney;
- The company credit agreements concluded by Person X, as creditor and the company Y SRL;
- supporting documents to register the operations in the accounting of Y SRL (collecting order, bank cash orders etc);
- record of the account 462 –*Various creditors* for the period 2010-2014 etc.

Based on the documents enclosed to the case file and on the documents submitted by the parties, we analyze the situation that generated the dispute and the expert can draft a separate accounting survey on the set objectives.

3.2. Chapter II. Conduct of the Accounting Expertise

The sound reasoning of the opinions set out in the separate report of the accounting expertise was also based on the material requested by the parties in the summoning made by the chartered accountant appointed by the court.

Objective A. *Determination of the total amount of the amounts contributed by the person X as company crediting, as evidenced by the accounting records of the defendant Y SRL.*

Achieving this goal required the following working methodology:

- identifying the period in which Person X, as a appealing – claimant, served as manager and proxy to represent the Company in full;
- studying the methods of conducting the analytical and synthetic accounting of the monetary values, according to the regulations in force;
- the analysis of the accounting documents provided by SC Y SRL and the appealing – claimant – Person X in terms of substance, but also of form or content;
- chronological verification of the documents recorded in the accounting records of the company;
- verification of the organization of analytical accounting of cash inflows and outflows, for the period 2011-2014;
- Centralized presentation of the results obtained for the same period.

According to the study carried out on operations carried out using the "Various Creditors" accounts, in organizing the accounting of the entity, it can be noticed that at the company Y SRL the use of the symbol 462.02 Person X starts with April 2011. Using this account we outlined the deposit of amounts both in cashier of the entity based on cash orders *to the cashier (absent signature of the person drafting the cash order and without the receipts being enclosed)* and to the current account opened with the bank in lei on the basis of cash orders.

Considering the cash operations carried out in the SC Y SRL activity, it should be mentioned that in *APPENDIX 2 to the Order of the Ministry of Public Finances no. 3512/2009 - in force at the date of the accounting instrumentation (APPENDIX 2 - Specific terms for the preparation and use of financial and accounting documents – list of financial and accounting documents, Chapter IV - Cash and settlements)* contains the documents used for this purpose: *receipt - code 14-4-1, payment order / cash order to the cashier - code 14-4-4, cash register - code 14-4-7A, purchase checklist - code 14-4-13* etc.

The study of applicable accounting regulations reveals that the cash / payment order is the document drawn up by the financial accounting department **ordering the payment or collection of amounts by the cashier, but is not the supporting document** certifying the deposit (cashing in cash).

The supporting document certifying the deposit of a cash amount at the cashier of the entity is the receipt. **The receipt is the supporting document** that must be registered **in the cash register and in the accounting records** and is drawn up in two copies for each amount collected by the company's cashier and the cashier put his hand as a confirmation of receiving such amount.

For the accuracy of the information, the cash order to the cashier and the cash orders in the current account, as they were registered in the cash register and in the statement of account and, implicitly, in the accounting journal of the entity Y SRL, is shown in the table below.

Table 1

The cash orders to the cashier and the cash orders in the current account reflected in the account 462.02- Person X

Explanation from the document of registration in the accounting records	Number and date of the document (which is not signed)	Amount (lei)	Corresponding account	Position in the cash register	No. of the accounting journal
Full name Person X X, position: creditor/ Purpose of the collection – company crediting	Cash order 01/18.04.2011	42000	5311 (Cash in lei)	5	1841
Full name Person X X, position: creditor/ Purpose of the collection – company crediting	Cash order 01/13.05.2011	33000	5311 (Cash in lei)	4	1910
Full name Person X X, position: creditor/ Purpose of the collection – company crediting	Cash order 02/23.05.2011	90000	5311 (Cash in lei)	4	2010
Full name Person X X, position: creditor/ Purpose of the collection – company crediting	Cash order 03/18.06.2011	35000	5311 (Cash in lei)	2	2250
TOTAL deposits through the company's cahier		200000			
Cash deposit lei-company credit Person X (Requiring person: person X)	55566/ 10.07.2012	200000	5121 (Bank accounts in lei)	Statement of account 5/01.09. 2012	5192
TOTAL deposits – cashier and bank		400000			

Using the technique of observing the documents both from the point of view of form and content, we find that for the company crediting operations the documents used to register in the accounting records, in the account 462.02- Person X, do not comply with the conditions to gain the quality of supporting document and no receipts were issued for the *cashing up of the amounts alleged to have been submitted by the appealing claimant Person X*, document that it should have (*copy no. 1 with the company's stamp*) and enclose to the case file to prove its case.

As a conclusion, on the grounds of supporting documents *that do not comply with the conditions to gain the quality of supporting document (according to Article 6 of*

Accounting Law no. 82/1991) accounting statements are made between April 2011 and July 2012 through the cash register and the current account, as shown in the record of the account **462.02** - Person X, **amounting to RON 400,000**, namely 200,000 lei through the cash register and 200,000 lei deposits in the bank, with two cash orders.

Objective B. Determining the reality of the documents submitted by Person X in probation of the claims of the suing petition.

The answer to objective B took into account the following working methodology (Andone, et al., 2011):

- Investigating and analyzing the problem;
- Proper collection and documentation and presentation of the evidences;
- Use of logical reasoning in developing the conclusion;
- Supporting the relevance of the conclusion.

The logical analysis and application of the critical thinking on the reality of the economic content of the documents (their concordance with reality) submitted by the *appealing claimant Person X* in support of his claims in the suing petition leads to highlighting the following issues revealed by the crediting agreements:

Table 2

List of the company crediting agreements concluded between Person X and SC Y SRL

No.	Explanation	Amount (lei)	Term of the agreement	Penalties
1	Agreement no. 02/18.04.2011	42.000	1 year / 04.2011-04.2012	0,1%/ per day of delay
2	Agreement no. 03/13.05.2011	123000	1 year / 05.2011-05.2012	0,1%/ per day of delay
3	Agreement no. 04/18.06.2011	35000	1 year / 05.2011-05.2012	0,1%/ per day of delay
4	Agreement no. 05/10.07.2012	200000	1 year / 07.2012-07.2013	0,1%/ per day of delay
	TOTAL amounts	400000		

Referring to the **principle** that accounting and disclosure of items in the balance sheet and profit and loss account is made taking into consideration the economic substance of the transaction or the commitment in question (principle known at the time of judgment as *the principle of the prevalence of the economy over the legal matters*– Order of the Ministry of Public Finances 3055/2009, point 46) (Order of the Ministry of Public Finances 1802/2014, point 57), the economic and financial events and operations must be recorded as they are carried out, based on supporting documents. The documents "must reflect exactly the way phenomena occur or *be consistent with reality*" to comply with the overall accounting objective where "the annual financial statements must provide *an accurate image* of the assets, liabilities, financial position, profit or loss of the company" (Order of the Ministry of Public Finances 1802/2014, point 24).

In fact, the existence of the cash orders on the name of Person X issued on the basis of company crediting agreements *without issuing receipts for the depositor* cannot be considered as evidence of the reality of the economic content of the documents. According to the regulations, the receipt is the supporting document (Order of the

Ministry of Public Finances 2634/2015 – point 4, Appendix 2) for the registration of amounts in the company's cashier (Baba, 2015) and *the proving document of the depositor of funds*.

The reasoning of the above assertions is made in a succinct way by reiterating the provisions regarding *the supporting documents substantiating the accounting records* (Law No. 82/1991, Article 6) which include as content elements the "*name/ full name [...]; - the number of the document and the date of its drafting; - specification of the parties involved in the economic and financial operation (where applicable) [...], as well as the **signatures of the persons** responsible for the economic-financial operations, of the persons responsible for preventive financial control and the persons authorized to approve the respective operations, as applicable; - other elements designed to secure complete recording of the operations carried out* "

To conclude, the study according to the principle saying that accounting and presentation of the balance sheet and the profit and loss account elements is made taking into account the economic background of the transactions found in the activity of the Y SRL entity *reflects a faulty instrumentation of the submitted documents for documentation and an accounting representation which does not correspond to the economic reality of the operations*.

3.3. Conclusions of the Accounting Expertise Report Separate

According to the activity of examination of the documentary material specified in the introduction and in the content of this Accounting Expertise Report Separate corroborated with the results of the calculations, we draw the following conclusions related to the established objectives:

Objective A. Determination of the total amount of the amounts contributed by the person X as company crediting, as evidenced by the accounting records of the defendant Y SRL.

Answer to the objective A.

The accurate presentation of the study according to the documentary material analyzed during the performance of the survey is listed in the table below:

Table 3

Amounts found in the accounting record of Y SRL, in the period April 2011- July 2012, in the "Creditors" account

No.	Account symbol	Name of the account - various creditors	Studied period	Debit roll over (lei)	Credit rollover (lei)	End balance (lei)
2	462.02	Person X (creditor)	18.04.2011-17.07.2012	0	400000	400000

Therefore, on the grounds of documents that *do not comply with the conditions to gain the quality of supporting documents*, accounting representations are made in the

period April 2011- July 2012, in the cash register and in the current account, illustrated in the record of the account 462.02 –Person X, *amounting to 400000 lei, namely 200.000 lei cash deposits through the cashier and in July 2012, 200000 lei deposits in the current account through two cash orders (55566/10.07.2012-110.000 lei and 57456/16.07.2012- 90.000 lei).*

Objective B. Determining the reality of the documents submitted by Person X in probation of the claims of the suing petition.

Answer to objective B.

The appealing claimant X provided to the expert accountants, supporting the claims in the suing petition documents such as *company crediting agreements* (concluded between the creditor Person X and the entity Y SRL, represented by Person X) corresponding to the period of his/her mandate. By these agreements the *company becomes indebted in conditions visibly disadvantageous for the entity Y SRL (the crediting period is just of 1 year, and if the reimbursement term is not respected there are penalties of 0.1% per day of delay).* The amounts outlined in these agreements and that have been deposited by a crediting operation in the cash desk and in the current bank account of the company are of 400000 lei.

The analysis of the documents according to the *principle that* the registration in the accounting and the presentation of the items of the balance sheet and of the profit and loss account is made taking into consideration the economic grounds of the transaction or the involvement itself (The Order of the Ministry of Public Finances 1802/2014, point 57) *reflects a faulty accounting representation of the documents subject to the research that does not comply in any way to the economic reality of the phenomenon.*

The brief presentation of the content of the separate accounting expertise is a work model in the approach chosen by the adviser expert: signature with the mention “With separate report”.

4. Conclusions

Starting from the objectives approved by the court in the minutes of the meeting, the adviser expert closely works with the appointed expert accountant and the difference of opinions on the grounds of the analyzed documents leads to different work methodology.

The analysis made in drafting an accounting paper is based on the professional’s reasoning, on the experience, rigor and depth of the working person. The interpretation of the provisions of the accounting, tax and legal regulations can determine in many circumstances opinions which are, perhaps, sensitively different. ‘For the information to be useful, there must be a strict connection between it, the users and the established goals’ (Baba, 2011).

Taking into consideration the case study presented in this paper, we find that, in the end, the adviser expert elected by the part and proved by the court appealed to presenting an Accounting Expertise Report Separate to attain the objectives established in the case file. The accounting professional followed the exact representation of the

phenomena considering the complete, natural and zero errors description of the economic phenomena, without manipulation with favourable or unfavourable influence on the users' decisions (Drumea, 2008).

Therefore, he/she signs the accounting expertise of the expert accountant appointed by the court on each page, mentioning "with separate report" and drafts an Accounting Expertise Report Separate that is submitted at the hearing date determined by the court at the same time with the report of the appointed expert accountant.

The accounting expertise separate report is designed to clarify and complete certain issues that the court cannot find in the report of the appointed expert and that can help in objectively solving the case. As such, the issues analyzed from the perspective of the reasoning of another professional accountant can be to the benefit of all the case parties.

In our study the two reports are presented in sensitively different nuances and the range of ideas to draw a conclusion leads to a wide range of interpretations. Comparing the two works, we notice that the separate report insists on the faulty drafting of documents containing information and which are registered in the accounting records without complying, according to the regulations, with the qualification of supporting documents, while the thesis issued by the appointed expert emphasizes the registration of the amounts, alleged to have been deposited by the claimant as company crediting.

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