

THEORETICAL AND PRACTICAL ASPECTS RELATED TO THE PUBLIC EXPENDITURE IN ROMANIA. CASE STUDY FOR A ROMANIAN TERRITORIAL ADMINISTRATIVE ENTITY

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Abstract

The present study aims to analyse the expenditure from a Romanian territorial administrative entity. The expenditure is studied statically and dynamically. There is also calculated the proportion of each type of expenditure related to the total expenditure of the territorial administrative entity for a period of 5 years (2014-2018) and their evolution was also analysed.

Keywords: public expenditure, accountancy registrations, dynamic analysis, main factors.

Clasificare JEL: H72, H75, H76.

1. Introduction

Public expenditure represents „the entire annual expenditure for public purposes of a country, which are financed from public budgetary resources” [1]. **The weight of public expenditure is different and depends on the development levels for the public or private sector.** [2].

The content of the notion of “expenditure”

The expenditure is the monetary representation of the use of the resources to obtain a good or a service [3]. The notion of “expenditure” was largely discussed in the economic literature and finally led to its precise definition, according to its content and semantics. Thus, the notion of “expenditure” is not synonymous to the notion of “cost”, because its meaning is larger [4]. If the expenditure is generated by a payment, the cost represents the equivalent of consumption.

Several features must be taken into consideration for a clear definition of the notion of “expenditure”:

- Expenditure is formed only in the area of supply and selling. It does not appear in production, where there are consumed values that generate costs and there is no causal relation with the expenditure;
- Expenditure is generated by a payment. It appears only conditioned by a payment, leading to a reduction of the cash balance;
- Expenditure is not a cost element. It is not an object in the calculation of the production costs.

The content of the notion “cost”

The cost represents an expenditure, or a sum of expenditure associated to (and recognised) a consumed resource, an activity place, a product or a management period [3]. From an

etymological perspective, the word comes from Latin and is derived from the verb *costare*, which means to establish or to fix. The notion “to cost” is later used to express the consumption for the production of an object. This is later developed in the notion “cost” used nowadays in the economic field, appearing in all languages (*cout* in French, *kosten* in German, etc.). The cost cannot and must not be the result of a calculation. It is determined by the objective appearance generated by the consumption of the living and materialised work [5]. All value consumptions formed by raw materials, basic and auxiliary materials, capital assets, and others, in order to obtain end products are called consumption. Thus, the production cost represents the total consumption of values during the production process.

2. The time of the expenses recognition

According to the accrual accounting, the expenditure reflects the cost of the goods and services used in order to achieve public services or incomes, as grants, transfers, social assistance, for a specific period.

The recognition of the expenditure respects the convention of the accrual accountancy that considers that the effects of the events and of the transactions are taken into consideration at the time of the producing and not during the cashing or the cash payment; therefore, the Romanian legislation states the following moments for the recognition of the expenditure [8]:

Staff expenditure: salaries in cash and in nature, bonuses, the 13th month bonus, and the contributions related to them are recognised for the period of the performed work. The unpaid rights for the respective year are also included in the staff expenditure of the fiscal year.

Stock expenditure is recognised when the stocks are consumed, excepting the materials that are part of the inventory, which are registered to the time of their decommissioning.

Assets expenditure includes the consumption of the stocks bought and paid during the previous fiscal years and consumed during the present fiscal year.

The personal consumption must be registered at the time of the production destined for this aim.

The expenditure on services is recognised during the period of the provided service and of the carried-out works, disregarding the time of their payment.

Expenditure on interests are recognised as costs for the period when they are owed according to the loan agreement at not at the time of their payment.

Capital expenditure is recognised monthly, as amortisation registered systematically during the useful life time of the fixed asset.

The unamortised value of the fixed assets decommissioned before the expiration of their normal functioning period is recognised as cost for the period when the event takes place.

The expenditure for the current fixed assets does not represent a cost of the period. Their cost will be recognised after the completion and after putting in use the fixed assets and the calculation of the amortisation.

The current or capital transfers between municipalities are recognised as costs for the final beneficiaries of the funds.

Other internal or abroad transfers are recognised as costs to the institution that transfer the funds.

According to the Order no. 2021/17.12.2013 for the modification and the completion of the Methodological norms for the organisation and the management of the accountancy of the public institution, The chart of accounts for the public institutions and the instructions for their application by the Order of the Minister of Public Finances, no. nr.1917/2005, the chart of accounts used for the expenditure in the public institutions is the following [6], [7]:

Group 6 EXPENDITURE ACCOUNTS:

➤ **Group 60 Expenditure on stocks**

The expenditure on stocks includes: commodities, supplies, non-stocked inventory objects, animals and birds, goods, packaging, other stocks

➤ **Group 61 Expenditure on services from third parties**

The expenditure on proceedings and services from the third parties includes: energy and water, maintenance, rent, insurance premiums, travels, secondments, and transfers.

Group 62 Expenditures on other services from third parties

The expenditure on other services from the third parties includes: commissions, and fees, protocol, advertising and publicity, transport for goods and persons, postal services, telecommunication taxes, banking and similar services, other serviced from third parties, and other expenditure authorised by legal dispositions.

➤ **Group 63 Expenditure on tax, duties and similar payments**

This group includes payments on taxes, duties and associated payments that must be paid to the public institutions, according to the law.

➤ **Group 64 Staff expenditure**

Staff expenditure includes salaries and other rights assimilated to salaries and paid in nature, social insurance for the salaries, and compensations for secondments and delegations.

➤ **Group 65 Other operational expenditure**

Other operational expenditure includes: losses from debts and various debtors; other operational expenditure.

➤ **Group 66 Financial expenditure**

This group includes: losses from non-current debts; expenditure on ceded financial investments; exchange losses; interests; sums to be transferred to the state budget, representing gains from exchange in programs as PHARE, SAPARD, ISPA, interests to be transferred to the European Commission or allocated in programs as PHARE, SAPARD, ISPA (account 668), other losses-ineligible expenses: PHARE, SAPARD, ISPA

➤ **Group 67 Other expenditure financed from the budget**

Other expenditure financed from the budget includes: subventions, current transfers between the public administration entities; capital transfers between the public administration entities; internal transfers; abroad transfers; social insurances, other expenses.

➤ **Group 68 Expenditure on capital, amortisation, provisions and adjustments**

This group includes operational expenditure on amortisations, provisions and the adjustments from depreciation; expenditure on non-depreciable fixed assets; financial expenditure on amortisations, provisions and adjustments from the loss of value; expenditure on the state reserve and mobilisation.

➤ **Group 69 Extraordinary expenditure**

Extraordinary expenditure includes losses from calamities; extraordinary expenditure from operations with fixed assets.

3. The necessity to know the structure of the expenses

In the delimitation of the expenses, it is necessary to make a distinction between the budgetary expenditure and the public expenditure.

The budgetary expenditure refers only to the expenditure covered from the state budget, the local budget, the budget of the state social security, and the budget of the special funds.

The public expenditure refers to the total expenditure made by the public institutions (state apparatus, socio-cultural institutions, army, internal order and national security, etc.) coming from:

- The budget (central or local)
- The budget of the institutions, based on their own incomes, allowed by the law to be used by the institutions.

The necessity to know the structure of the public expenditure derives from the fact that this illustrates the way of the fiscal resources are oriented toward specific destinations. Therefore, two criteria appear in the classification of the expenses: 1. the nature of the activity and 2. the destination.

1. After their nature and effect, the expenditure can be:
 - *Current expenditure* (functioning expenditure);
 - *Capital expenditure* (investment expenditure).
2. After their destination, the expenditure is identified on domains, fields and sectors towards which the public financial resources are directed.

According to the two mentioned criteria, the expenditure is structured in the financial situations of a public institution as follows:

a) *operational expenditure* (expenditure on stocks; expenditure on services by third parties; expenditure on other services by third parties; expenditures on taxes, duties and other associated payments; staff expenditure; other operational expenditure; expenditure on cession or dismantling of amortisable fixed assets; losses from debts and various creditors; other operational expenditure).

b) *financial expenditure* (losses from debts related to participations, expenditure on interests for loans, interests to be transferred to the European Community in European programs).

c) *extraordinary expenditure*. The extraordinary expenditure is the expenditure appeared to the public institutions as a result of natural phenomena, generating fortuitous losses and expenditure on the non-depreciable value of the fixed assets out of use before the end of their economic life time.

4. The expenditure accountancy – practical application – accountancy registrations

The accounting evidence of the expenditure is performed with the help of the accounts from Class 6 “Expenditure accounts”.

The accounts from Class 6 ensure the synthetic evidence of the expenditure accounts – they have an active accounting function and an economic content of use (resource diminishing). At the end of the management period (1 month), these accounts do not present a balance, being retrieved in the account of patrimonial result. We present as follows the accounting registrations of expenditure for the administrative territorial entity of Pianu.

Expenditure on supplies: Tables no. 1,2,3:

Table no. 1: Fuel acquisition, payment and consumption			
<i>Acquisition</i>			
Fuel		Suppliers	
302.02.00	=	401.01.00.02.A.51020103.200105	1523
<i>Payment</i>			
		Suppliers	Budgetary financing
401.01.00.02.A.51020103.200105	=	770.00.00.02.A 51020103.200105	1523
<i>Fuel consumption</i>			
Expenditure on fuel		Fuel	
602.02.00.02.A.51020103.200105	=	302.02.00	1523

Source: authors' contribution based on data collected from Pianu City Hall

Table no.2: Acquisition and supplies consumption

<i>Acquisition</i>			
Other supplies		Suppliers	
302.08.00	=	401.01.00.02.A.51020103.200109	1805
<i>Payment</i>			
Suppliers		Budgetary financing	
401.01.00.02.A.51020103.200109	=	770.00.00.02.A 51020103.200109	1805
<i>Consumption</i>			
Expenditure on supplies		Other supplies	
602.08.00.02.A.51020103.200109	=	302.08.00	1805

Source: authors' contribution based on data collected from Pianu City Hall

Table no. 3: Inventory objects scrapping

Expenditure on inventory objects		Inventory objects in use	
603.00.00.02.A.51020103.200530	=	303.02.00	1200

Source: authors' contribution based on data collected from Pianu City Hall

Expenditure on energy and water: Tables no. 4,5:**Table no. 4: Payment expenditure on electricity**

Expenditure on energy and water		Suppliers	
610.00.00.02.A.51020103.200103	=	401.01.00.02.A.51020103.200103	550
Suppliers		Budgetary financing	
401.01.00.02.A.51020103.200103	=	770.00.00.02.A 51020103.200103	550

Source: authors' contribution based on data collected from Pianu City Hall

Table no. 5: Payment expenditure on water and sewage

Expenditure on energy and water		Suppliers	
610.00.00.02.A.51020103. 200104	=	401.01.00.02.A.51020103. 200104	150
Suppliers		Budgetary financing	
401.01.00.02.A. 51020103.200104	=	770.00.00.02.A 51020103. 200104	150

Source: authors' contribution based on data collected from Pianu City Hall

Expenditure on maintenance and reparations:**Table no. 6: Payment expenditure on maintenance and reparations**

Expenditure on maintenance and reparations		Suppliers	
611.00.00.02.A.84020301.2002	=	401.01.00.02.A. 84020301.2002	10500
Suppliers		Budgetary financing	
401.01.00.02.A. 84020301.2002	=	770.00.00.02.A 84020301.2002	10500

Source: authors' contribution based on data collected from Pianu City Hall

Expenditure on travels, secondments and transfers:**Table no. 7: Travels settlement**

Expenditure on travels, secondments and transfers		RON cash	
614.00.00.02.A.51020103.200601	=	531.01.01.02.02.A.51020103.200601	1500

Source: authors' contribution based on data collected from Pianu City Hall

Expenditure on postal service and telecommunication taxes:**Table no. 8: Telephone invoice registration and payment**

Expenditure on postal services and telecommunication taxes		Suppliers	
626.00.00.02.A.51020103.200108	=	401.01.00.02.A.51020103.200108	518
Suppliers		Budgetary financing	
401.01.00.02.A.51020103.200108	=	770.00.00.02.A51020103.200108	518

Source: authors' contribution based on data collected from Pianu City Hall

Other expenditure on services by third parties: Tables no. 9, 10:**Table no. 9: Services invoice registration and payment**

Other expenditure on services by third parties		Suppliers	
628.00.00.02.A.51020103.200130		401.01.00.02.A.51020103.200130	650
Suppliers		Budgetary financing	
401.01.00.02.A.51020103.200130		770.00.00.02.A51020103.200130	650

Source: authors' contribution based on data collected from Pianu City Hall

Table no. 10: Payment expenditure on services by third parties

Expenditure on services by third parties		Suppliers	
628.00.00.02.A.51020103.200130	=	401.01.00.02. A.51020103.200130	2200
Suppliers		Budgetary financing	
401.01.00.02. A.51020103.200130	=	770.00.00.02. A.51020103.200130	2200

Source: authors' contribution based on data collected from Pianu City Hall

Other expenditure authorised by legal dispositions – current expenditure:**Table no. 11: Expenditure on the heating system maintenance**

Other expenditure on services by third parties		Suppliers	
629.00.00.02.A.51020103.200130		401.01.00.02.A.51020103.200130	850
Suppliers		Budgetary financing	
401.01.00.02.A.51020103.200130		770.00.00.02.A51020103.200130	850

Source: authors' contribution based on data collected from Pianu City Hall

Expenditure on taxes, duties and associated payments:

Table no. 12: Notarial Stamp duty		
Expenditures on taxes, duties and other associated payments 635.00.00.02.A.51020103.200130	Creditors until 1 year – commercial debts 462.01.01.02.A.	200
Creditors until 1 year – commercial debts 462.01.01.02.A.	Budgetary financing 770.00.00.02.A51020103.200130	200

Source: authors' contribution based on data collected from Pianu City Hall

Expenditure on staff salaries:

Table no. 13: Registration expenditure on staff salaries		
Expenditure on staff salaries 641.00.00.02.A.51020103.100101	Staff - owed salaries 421.00.00.02.A.51020103.100101	2,429
Expenditure on staff salaries 641.00.00.02.A.51020103.100112	Staff - owed salaries 421.00.00.02.A.51020103.100112	9,045
Expenditure on staff salaries 641.00.00.02.A.66025050.100101	Staff - owed salaries 421.00.00.02.A.66025050.100101	3,850
Expenditure on staff salaries 641.00.00.02.A.67020302.100101	Staff - owed salaries 421.00.00.02.A.67020302.100101	2,605
Expenditure on staff salaries 641.00.00.02.A.68020502.100101	Staff - owed salaries 421.00.00.02.A.68020502.100101	30,903
Expenditure on staff salaries 641.00.00.02.A.700206.100101	Staff - owed salaries 421.00.00.02.A.700206.100101	15,600
Expenditure on staff salaries 641.00.00.02.A.84020301.100101	Staff - owed salaries 421.00.00.02.A.84020301.100101	8,500

Source: authors' contribution based on data collected from Pianu City Hall

Staff expenditure in nature:

Table no. 14: Holyday vouchers		
Staff expenditure in nature 642.00.00.02.A.51020103.100206	Other values 532.08.00.02.A.	21750

Source: authors' contribution based on data collected from Pianu City Hall

The contributions of the employers to the social security system:**Table no. 15: Registering the expenditure on social contributions**

Expenditure on work insurance	The contributions of the employers to the social security system		
645.07.00.02.A.51020103.100307	=	431.06.00.02.A.51020103.100307	1,609
Expenditure on work insurance	The contributions of the employers to the social security system		
645.07.00.02.A.66025050.100307	=	431.06.00.02.A.66025050.100307	87
Expenditure on work insurance	The contributions of the employers to the social security system		
645.07.00.02.A.68020502.100307	=	431.06.00.02.A.68020502.100307	695
Expenditure on work insurance	The contributions of the employers to the social security system		
645.07.00.02.A.700206.100307	=	431.06.00.02.A.700206.100307	353
Expenditure on work insurance	The contributions of the employers to the social security system		
645.07.00.02.A.67020307.100307	=	431.06.00.02.A.67020307.100307	41

Source: authors' contribution based on data collected from Pianu City Hall

Social benefits:**Table no. 16: Day care social tickets registration**

Social benefits expenditure		Other social benefits	
677.00.00.02.A.650250.570203	=	438.00.00.02.A.	500
Other social benefits		Budgetary financing	
438.00.00.02.A.	=	770.00.00.02. A. 650250.570203	500

Source: authors' contribution based on data collected from Pianu City Hall

Other expenditure:**Table no. 17: Contributions to Associations and Foundations**

Other expenses		Budget financing	
679.00.00.02.A.51020103.5911	=	770.00.00.02.A.51020103.5911	2500

Source: authors' contribution based on data collected from Pianu City Hall

Operational expenditure on the amortisation of the fixed assets:**Table no. 18: Amortisation registration**

Amortisation expenditure		Amortisation of the technical installations	
681.01.00.02.A.51020103.710102	=	281.03.01.02.A.	250

Source: authors' contribution based on data collected from Pianu City Hall

**Table no. 19: Investments passage to the public domain
Administrative territorial entity Pianu**

Expenditure on non-depreciable fixed assets		The fund of the assets from the public domain of the administrative territorial entities	
682.01.09.02.A.51020103.710101	=	103.00.00.02.A.	3.593.112,60

Source: authors' contribution based on data collected from Pianu City Hall

5. The dynamic analysis of expenditure for the administrative territorial entity of Pianu

According to accrual accounting, the expenditure reflects the cost of the goods and services used for the achievement of the public services or of the incomes, as well as subventions, transfers, social assistance, for a specific period [5]. The following table presents the Expenditure registered to a commune municipality.

Table no. 20. Expenditure registered by the administrative territorial entity of Pianu for 2014-2018

Years	2014	2015	2016	2017	2018
Total expenditure	2464919.36	2869606.04	6387192.98	3751271.63	3348747.73
Expenditure on supplies	83358.32	183917.66	240320.77	135327.37	178459.06
Expenditure on energy and water	149911.03	189656.07	169806.86	246262.07	176839.67
Expenditure on maintenance and reparations	404201.36	661590.68	419732.01	731573.76	268061.19
Expenditure on travels, secondments and transfers	12345.00	11280.00	7296.52	9284.00	5943.00
Expenditure on postal services and telecommunication taxes	20413.55	31868.17	23834.02	25619.66	23733.92
Other expenditure on services by third parties	390482.56	642160.43	409372.04	497817.12	593534.27
Other expenditures authorised by legal dispositions – current expenditure	403244.66	12847.88	70942.99	111125.71	98.00
Expenditure on taxes, duties and associated payments	200.00	0.00	0.00	0.00	0.00
Staff expenditure	361967.00	502676.00	678620.00	1120407.00	1519166.00
Staff expenditure in nature					21750.00
The contributions of the employers to the social security system	86586.00	105911.00	151974.00	251214.00	37155.00
Social benefits	189228.00	245627.00	273424.00	251707.00	244639.00
Other expenses	333177.00	252164.00	34030.00	122793.00	95529.00
Operational expenditure on the amortisation of the fixed assets	29804.88	29907.15	82272.19	248140.94	183839.62
Expenditure on non-depreciable fixed assets	0.00	0.00	3825567.58	0.00	0.00

Source: Pianu City Hall

Analysing the data from Table no.20, the following aspects result:

- The highest value in the total of expenditure belongs to the Staff expenditure;
- Expenditure on non-depreciable fixed assets is registered only for one year (2016), with a significant value;
- An important place as value has the Expenditure on maintenance and reparations.

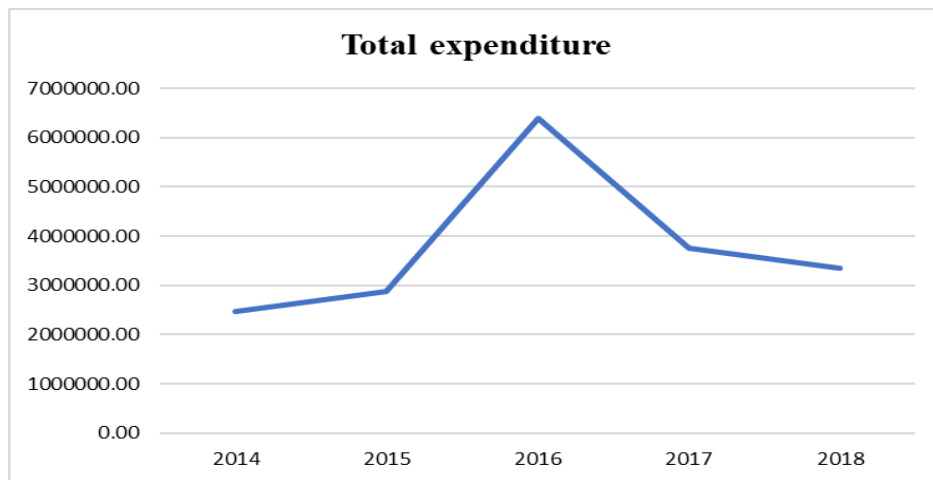


Chart no. 1: The total expenditure for the municipality of Pianu for 2014-2018

Source: authors' contribution based on data collected from Pianu City Hall

The highest value of expenditure is registered in 2016: Expenditure on non-depreciable fixed assets.

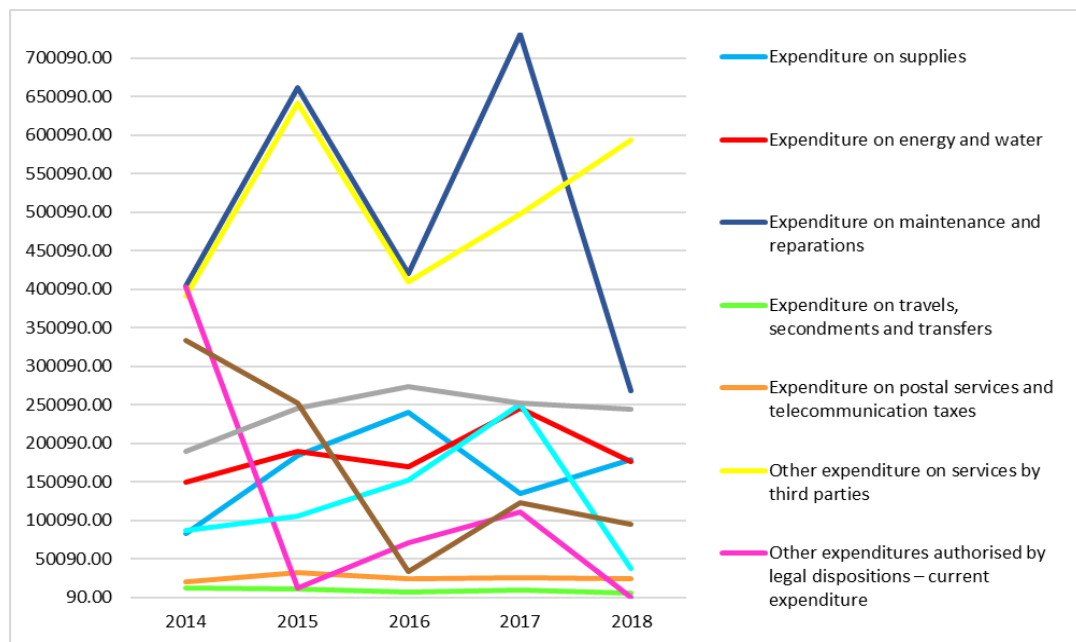


Chart no. 2: The evolution of expenditure to the municipality of Pianu for 2014-2018

Source: authors' contribution based on data collected from Pianu City Hall

According to the above chart, the Expenditure with maintenance and reparations and Other expenditure on services from third parties had a fluctuant but superior evolution compared to other categories.

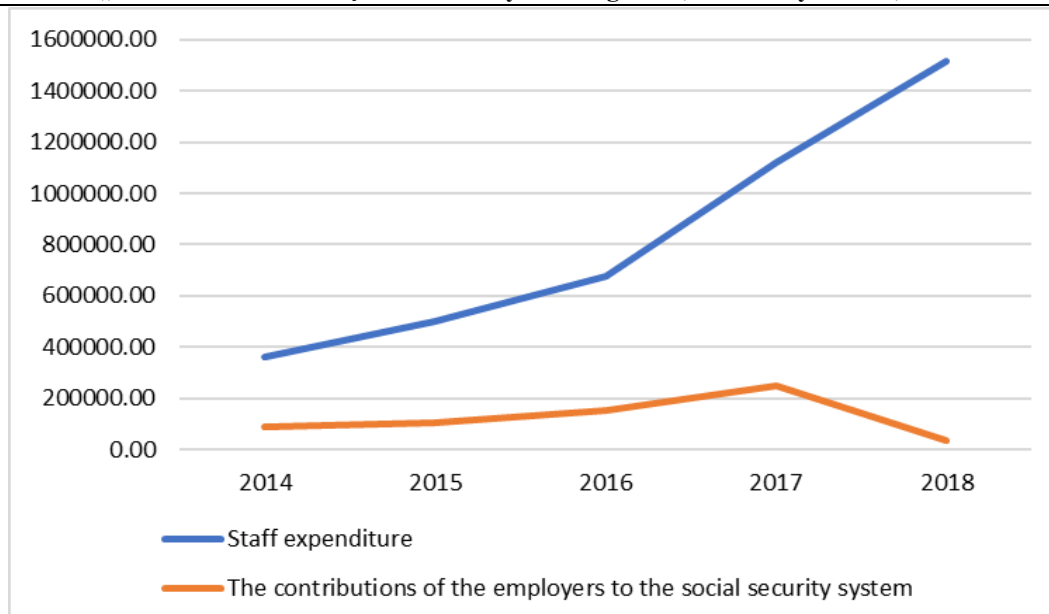


Chart no. 3.: The evolution of the Staff expenditure and on contributions to the social security system at the municipality of Pianu for 2014-2018

Source: authors' contribution based on data collected from Pianu City Hall

The Staff expenditure registered a grower trend for the analysed period, reaching a percentage of 45% in 2018 in the total expenditure. The Staff expenditure grew in 2018 five times compared to 2014.

Table no. 21. The proportion of expenditure registered by the municipality of Pianu for 2014-2018 in the total expenditure

Years	2014	2015	2016	2017	2018
Total expenditure	100	100	100	100	100
Expenditure on supplies	3.38	6.41	3.76	3.61	5.33
Expenditure on energy and water	6.08	6.61	2.66	6.56	5.28
Expenditure on maintenance and reparations	16.4	23.06	6.57	19.5	8
Expenditure on travels, secondments and transfers	0.5	0.39	0.11	0.25	0.18
Expenditure on postal services and telecommunication taxes	0.83	1.11	0.37	0.68	0.71
Other expenditure on services by third parties	15.84	22.38	6.41	13.27	17.72
Other expenditures authorised by legal dispositions – current expenditure	16.36	0.45	1.11	2.96	0
Expenditure on taxes, duties and associated payments	0.01	0	0	0	0
Staff expenditure	14.68	17.52	10.62	29.87	45.37
Staff expenditure in nature	0	0	0	0	0.65
The contributions of the employers to the social security system	3.51	3.69	2.38	6.7	1.11
Social benefits	7.68	8.56	4.28	6.71	7.31
Other expenses	13.52	8.79	0.53	3.27	2.85
Operational expenditure on the amortisation of the fixed assets	1.21	1.04	1.29	6.61	5.49
Expenditure on non-depreciable fixed assets	0	0	59.89	0	0

Source: Pianu City Hall

Analysing the expenditure structure in Table no. 21, we can observe that the highest proportion in the total expenditure is in 2018 for:

- Staff expenditure – over 45% from the total expenditure;
- Other expenditure on services from third parties – over 17% from the total expenditure;
- Expenditure on maintenance and reparations – 8% from the total expenditure.

We remark the same high proportion for these categories of expenditure also in the previous years: 2014,2015,2016, and 2017.

6. Influence factors on the evolution of public expenditure

The main factors influencing the evolution of the **public expenditure** are:

- a. **Demographic factors:** The growth of the population and the structural modifications on ages, and also the socio-professional categories influence strongly the volume and the structure of the public expenditure. Worldwide and also at national level, it is statistically confirmed the general tendency of growing population attracting the growth in the need of public utilities.
- b. **Economic factors:** In this group of factors, a major influence is represented by the degree of economic development and economic modernisation of each country, as well as the level of implication from the state in the support of the economic progress, inclusively through actions for the stabilisation of the economy and the stimulation of the economic growth.
- c. **Social factors:** In a larger acceptance, the social factors manifest in connection with the economic factors. From this point of view, the preoccupation of the state for a better division of the incomes in society, between individuals or groups of population, and the material support granted to some disadvantaged social categories have a major influence on the growth of the **public expenditure**.
- d. **Urbanization:** by creating and developing urban centres, respectively the transformation of the rural localities and their adaptation to the requirements of a superior civilisation. Urbanisation requires, in general, an increased collective consume of resources.
- e. **Military factors:** The military factors, especially connected to the external politics of the countries, have an influence strongly remarked in the dynamics of the **public expenditure**; military actions have the highest contribution to the increase of the public expenditure in most of states.
- f. **Political factors:** The action of these factors is generated, especially, by the options of the governing political groups from a country.

7. Conclusions

In a larger juridical acceptance, **the public expenditure** represents the payment of a sum from the public funds, connected to the creation and the functioning of the public entities and, in general, by the completion of the activities with a public character. The aspect that appears in lights in this first acceptance is the fact that the public expenditure is performed in a given legal frame, through a complex of public organisms and entities, with components and responsibilities established legally, related to the commitment and, finally, the performance of payments, which involves aspects of management of the public assets, according to the legal norms.

In an economic acceptance, **the notion of public expenditure** expresses the economic processes for the repartition of GDP, concretised through the allocation and the use of the monetary (financial) resources in order to achieve actions considered to be of public interest, to a national level or to the level of the local communities. This second acceptance includes the content of

economic processes of public consume of resources, developed in direct connection to the satisfaction of the needs for public social utilities.

Analysing the structure of expenditure for the municipality of Pianu, we can observe that the highest percentage in the total expenditure belongs to: Staff expenditure, Other expenditure on services from third parties, and Expenditure on maintenance and reparations.

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