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Journal 
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Call for papers Journal of Applied Research in Finance

Published two times a year, the Journal is the official publication of *The European Centre of Managerial and Business Studies*, academic organization devoted to the study and promotion of knowledge about financial economics. The journal has been established in year 2009 as a descendant to *Journal of Applied Economic Sciences* (JAES). Two issues are published per volume. All articles and communications are available online for free. Printed copies can be ordered at a cost. The editors maintain classic *double blind peer review* procedure aiming at high academic standards but at the same time emphasize dynamic referee process so that the journal tracks scientific progress in real time.

The intention of the Journal of Applied Research in Finance is to provide an outlet for innovative, quantitative research in financial economics which cuts across areas of specialization, involves transferable techniques, and is easily replicable by other researchers. Contributions that introduce statistical methods that are applicable to a variety of financial problems are actively encouraged. The Journal also aims to publish review and survey articles that make recent developments in the field of theoretical and applied finance more readily accessible to applied economists in general.

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Journal of Applied Research in Finance appeals for experienced and junior researchers, who are interested in one or more of the diverse areas covered by the journal. It is currently published bi-annually with two general issues in Summer, and a special one, in Winter.

The special issue contains papers selected from the International Conference organized by the European Research Centre of Managerial Studies in Business Administration (CESMAA) and Faculty of Financial Management Accounting Craiova in each October of every academic year. There will prevail the papers containing case studies as well as those papers which bring something new in the field. The selection will be made achieved by:

- Conference Session Chairs;
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The Fiscal Treatment of Tourism Services Case Study of Romania

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Abstract

Tourism development is a vector of economic and social cohesion within the European Union, and in this context, Romania is trying to approach the union standards in all areas, including tourism. Tourism, as an economic activity, must connect the concept of sustainable development, for its being as an industry dependent on natural resources and cultural heritage of each companies that sell these resources (processed or not) as a part of its 'products', and in the same time, shares some resources with other users, including local communities. The travel agency may charge VAT or without VAT or in a special regime – depending on the nature of services provided. Thus, issuing invoices and the VAT scheme related depend on the type of activity to which it relates.

Because treatment in terms of VAT is very diverse ('thick'), I will try to summarize it in a diagram with different situations that we encounter when a travel company tour operator is selling its travel services.

Keyword: fiscal treatment, tourism services, invoice, VAT regime, VAT collected.

JEL Classification: M2, M4, G1

1. Introduction

Tourism development is a vector of economic and social cohesion within the European Union, and in this context, Romania is trying to approach the union standards in all areas, including tourism.

Changes in consumer behavior and values are a critical factor in the new tour. To the old travelers, the travel was a novelty, and the holidays were a time of rupture of everyday life. They would buy packages that include transportation, accommodation and entertainment at affordable prices which were quite homogeneous and predictable, it attaches great importance to quality and looking for sun and beach was practically a constant in their vacations.

Instead, new tourists consider vacations as an extension of their lives, something common and normal. They do not want a rigid standard package, the sun is the main attraction, but prefer a more individualized tour, showing a keen interest in quiet contact with nature, culture and lack of crowds. Unlike their predecessors they are spontaneous, unpredictable, and the quality is for them a priority.

2. The fiscal treatment

Tourism activity is characterized by an increased dynamism, nationally and internationally as one of the main drivers of the world economy. Tourism is a sector of activity with complex services and activities, with multiple implications in all areas of national life, representing one of the most dynamic sectors in permanent change and upward evolution.

Tourism's place in society is armed with the tertiary sector of services in which are included foods, transportation, health, education, sports activity. Membership tourism within tertiary content derives from its business that includes wide and heterogeneous services which take the form of a suite of benefits such as: the organization of travel, transport, leisure and entertainment.

As a complex social and economic phenomenon, tourism is at the interference component of the national economy. Its role is divided in different levels: economic, social, cultural and political.

From the economical point of view, it manifests directly through the contribution of tourism activities in gross domestic product (GDP) and national income, leading to price balance.

Although it has a significant contribution to gross domestic product creation, tourism has a special contribution to the achievement of added value. Given the high consumption of specific manpower, intelligence and creativity, tourism participates in creating added value in a greater extent than other areas from the point of view of the development.

Also, tourism drives and stimulates production in other areas. Studies have shown that the activity of branches is determined largely by the needs of tourism (Nistoreanu 2006).

From the social point of view it creates jobs, reduces unemployment, and develops intellectual capacity and health restoration for individuals.

In terms of culture and education, it manifested by raising culture and civilization and the education level.

The political role is that it is a messenger of peace as it contributes to the development of multiple domains the links between different nations, which contribute to closer cooperation.

Each tourism product has its life cycle, that is born, passes several stages of growth and decline eventually reaches as new products that better meet the needs or desires of tourists.

The services give content tourist product - called travel - it is a set of at least four basic types, all different in nature, such as transport, accommodation, food, entertainment.

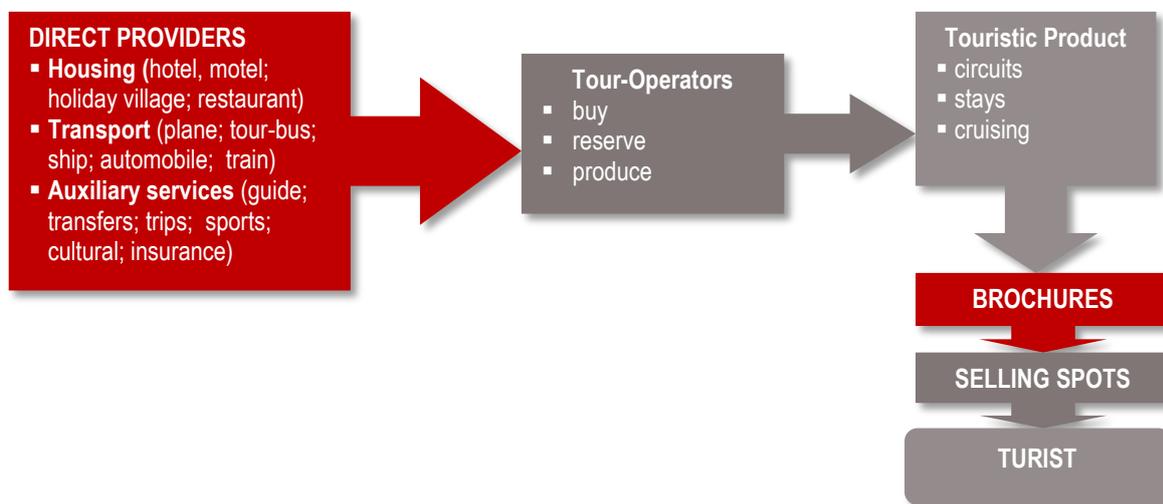


Figure 1. The circuit and commercialization of this futuristic product

The operation and tour-operators profitability was due to several causes: expanded distribution system which allowed trade before achieving its full production and capital savings, tour operators using carrier investments, those in hotels and advances paid by consumers.

Tourism is an industry with a complex profile that brings together a set of services and goods, own several sectors, liaising between providers and tourists by selling services requested by them. This presents a number of relationships between the organizers of tourist activities and various producers of goods, providers of travel services or their beneficiaries, which requires a series of operations to ensure proper and efficient operation of tourism activities.

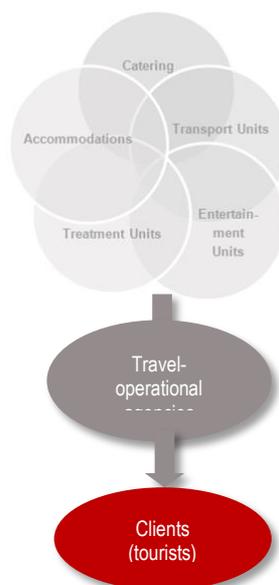


Figure 2. Categories of tourism providers
Source: Diaconu (2004,132).

Commercial management and accounting activities of travel agencies involves certain special characteristics, specific to the activity:

- Most travel agencies apply special VAT regime, not the normal, which generates a series of specific information requirements (returns, VAT journals, special lists, better configured claims etc.);
- Invoices are issued when the lei, when in currencies, and collected address different vaults, working with advances in different currencies, etc. There are deadlines to be respected; items billed have different VAT rates (0, 9, 24, exempt and non-deductibility etc.);
- The suppliers' invoices arrive long after the sale, to customers. The profit margin of each 'action' is determined after its completion. Invoices received did not contain the same items (names) as those sales; an invoice received is related to several invoices, and more;
- It makes the boundary between the invoiced items that are part of 'unique travel service' and those that do not.

Since the invoice is a document where a travel agency has certain peculiarities, we found it necessary to detail information about the current rules for preparation and use of invoice.

The invoice shall be prepared and used in accordance with the provisions of the Tax Code - Article 155. Government Ordinance no. 15/2012 clarifies the circumstances in which taxpayers are required to issue invoices to the recipients. The new regulations clearly state that the taxable person shall issue an invoice to each beneficiary in the following situations:

- Supplies of goods or services carried out (except transactions exempt without deductibility of the fee provided for in Art. 141 paragraph (1) and (2) of the Tax Code);
- For each distance selling which has carried out in terms of art. 132 paragraph (2) and (3) of the Tax Code;
- Intra-Community supplies of goods under art. 143 para. (2). a)-c) of the Tax Code;
- Any payment received in connection supplies of goods / services supplied or remote sales calls (except those exempt without deductibility of the fee stipulated in art. 141 para. (1) and (2) of the Tax Code) .

According to the Tax Code, any person registered for VAT, delivery or performing a service for which deduct VAT must issue an invoice to each beneficiary, not later than the 15th day of the month following that in which the chargeable event arises. For supplies of goods or services which are exempt without deductibility of the VAT taxable persons are not required to prepare invoices in accordance with the provisions of the Tax Code and the rules for the application of its economic transactions are recorded in the contracts between the parties and financial accounting or banking documents showing those operations, such as receipt, order for payment / collection, bank statement, accounting note and so on, as appropriate.

Also, the taxpayer is obliged to issue an invoice to each beneficiary and the amount of advances received in connection with a supply of goods or a service, not later than the 15th day of the month following the month in which has received advances.

Bills are considered not only documents or messages on paper, but also in electronic format if they meet the conditions set by the Tax Code.

By *electronic invoice* means an invoice which contains the information required by the Tax Code and has been issued and received electronically. For a bill to be considered electronic invoice, it must be issued and received in electronic format such as electronic bill tax payers' option. The electronic format of an invoice can be, for example, type 'xml', 'pdf'.

Invoices created on paper that is scanned, sent and received electronically are considered electronic invoices. Invoices created electronically, e.g. via an accounting software or a word processing program, send and receive paper invoices are not considered.

Firms are not required to use standardized invoices issued by the National Printing Office or by printers. Although companies can issue single bills in a proprietary format, the Tax Code establishes certain items that cannot ever miss this document. Lack of mandatory elements of the bill could lead to the impossibility of such deduction of VAT taxable person. According to paragraph (19) art. 155 of the Tax Code, the tax invoice must contain the following information:

- Serial number of the invoice;
- Date of invoice;
- Name, address and VAT number of the person issuing the invoice;
- Name, address and VAT number, if applicable, the recipient of services;
- The name and quantity of goods delivered, name services;

- The value of goods or services, excluding value added tax;
- The share of value added tax or mentioning of exempt with *deductibility right, exempt without deductibility right, tax free or included in the tax base*, as appropriate;
- The amount of value added tax to taxable transactions.

If the special scheme for travel agents, the words 'margin conditions – Travel agents';

VAT rate fall in the Tax Code as follows:

- VAT: Margin scheme – Travel agents – art. 1521;
- SDD Exempt with credit – or art.1521 Article 143;
- SFD Exempt without credit – 141;
- Untaxed – Article 133 or article 137.

Since 2013 when the new regulations come into force nr.15/2012 Government Ordinance, invoices must contain some additional elements. In addition to the information that is required and currently bills will contain:

- Mention 'VAT collection', where VAT chargeability occurs on full or partial consideration receipt of delivery of goods or provision of services;
- Mention 'reverse charge' if the customer is liable for VAT;
- Mention 'self-invoice' if the invoice is issued by the beneficiary in the name and on behalf of the supplier;

The rules valid in 2013 also established that the amounts shown on the invoice may be expressed in any currency provided that the VAT collected is expressed in lei. Where the amount of tax collected is denominated in another currency, it will be converted to USD using the exchange rate referred to in art. 1391, e.g. the last exchange of the National Bank of Romania or the latest exchange rate published by the European Central Bank or the exchange rate used by the bank which settlement is effected as of the date on which the chargeability of tax on the transaction.

The taxable person shall ensure that copies of invoices that have been issued or issued by the customer or a third party in the name and on his behalf, and all invoices received.

In the 3rd article of the Order of the Ministry of Public Finance no. 2226/2006 updated by Order no. 3.420/2009 are provided rules for the preparation and use of the invoice. According to them, the bill is a form of internal printing and numbering system that serves as the document on which the instrument is drawn settlement services, representing documentary evidence of registration in the accounts of suppliers and buyers.

Obs. Signing and stamping invoices not mandatory elements that must be included in the bill. Invoices are documents that have internal numbering scheme, ie each person emits its own procedures for establishing and / or allocation of invoice numbers or series. Specifically, the legal provisions contained in Annex 4 to the MFP Order no. 2226/2006, determined that those responsible for the organization and management accounting in a company must appoint an internal decision written by a person or more (if any) that have functions for allocating and managing invoices numbers issued by the company.

Romania, as a member of the European Union shall harmonize with the tax laws of other states of the European Union. In this regard, in accordance with the provisions of Chapter 3 of Directive 112/2006 of the Council on the common system of value added tax, Romania introduced from 1 January 2007 the head Special arrangements XII of the Tax Code and section Special scheme for travel agents to art. in 1521.

According to art. 1521 of the Tax Code, the travel agency is defined as 'any person who in his own name or as agent, arranges, provides information and undertake to provide people traveling alone or in group travel services including accommodation hotels, guest houses, hostels, holiday apartments and other spaces used for accommodation, air, land or sea, organized excursions and other tourist services. Travel agencies and tour operators include'.

3. The mandatory application of the special VAT conditions

Special VAT conditions, according art.1521 VAT is applicable only to single service provided by agency, service is defined as all operations performed by travel agents who deal with customers on their own and use to achieve these operations, supply of goods or services provided by other taxable persons. Special taxation is compulsory in the following cases: (i) the traveler is natural; (ii) if the travel services and components which include the operation site shall be considered outside Romania.

Single service provision in Romania is the place where the travel agency is established or has a fixed establishment in Romania and service is provided by headquarters in Romania.

As of January 1, 2010, travel agencies will apply the special regime provided for in art. 152 of the Tax Code in the case when one single service includes the provision of services, with the following exceptions:

- Where a travel agency acting in their direct benefit of the traveler and uses supplies and services carried out by others;
- In case they opt for the normal fee, except that requires special taxation regime.

However, passenger travel agency can apply the normal fee, unless the shipment is sold in conjunction with other travel services.

4. Characteristics of special VAT regime applied by travel agencies

1. Single service tax base is the profit margin made by the Agency calculated as the difference between the total amount paid by the traveler solely VAT on the costs of the travel agency, including VAT.

The total amount paid by the traveler includes the following elements:

- The equivalent single service,
- Taxes and fees,
- Incidental expenses (commissions and insurance), but, does not include rebates, price reductions granted by suppliers to customers directly on the chargeability to tax or interest imposed after provision for late payments.

If the elements used to determine the amount to be paid by the traveler are denominated in foreign currency, the exchange rate to be applied is the latest exchange rate of the National Bank of Romania or the exchange rate used by the bank which settlement is effected, the date of the invoice for the sale of services, including partial or advance bills.

The costs of the travel agency for the supply of goods and services for the direct benefit of the traveler is the price including VAT, billed by providers specific operations, such as transport, hotels, catering and other expenses such as the provision of means of transport used, visa fees, subsistence and accommodation for driver, road taxes, parking charges, fuel, excluding overhead costs of the travel agency are included in the cost of the unique service.

If the elements used to determine the costs are denominated in foreign currency exchange rates are determined according to art. 139 of the Tax Code.

2. Starting 01.01.2010, Associate Emergency Ordinance *no. 109/2009*, travel agencies may not record distinctly tax invoices or other legal documents that convey passengers, unique services to which special arrangements.

3. Notwithstanding the provisions of art. 145 paragraph (2) Fiscal Code such as 'every taxable person is entitled to deduct tax on purchases', the travel agency is not entitled to a deduction or refund of the tax paid to the provision of services for the direct benefit of the traveler and used to provide unique service.

4. Where supplies of goods and services made directly benefit the customer is outside the Community, the unique service travel agency is considered a service provided by intermediary and is free of charge.

If the supply of goods and services made directly benefit the customer are performed both inside and outside the Community, shall be regarded as exempt from tax only the unique service provided by the travel agency for operations outside the Community.

Normal VAT arrangements for travel agencies

Under the Tax Code, the special does not apply to services provided by the travel agency exclusively in-house.

Special scheme does not apply to travel agents who act as an intermediary for the direct benefit of the client, but the services are performed outside the Community.

Also, the special conditions do not apply when the agency acts as an intermediary and is found in the following situations:

- Amounts paid in the name and on behalf of another person and then be reimbursed (for example, travel agency acts as an intermediary when medical insurance brokering service operations travelers and they are not sold together with other tourist services);
- Get their money in the name and on behalf of another person (e.g. resort fee).

In these situations, although arranges a cleaning man, this cannot be charged as a single service, so applying the special VAT regime. Agency, acting on behalf and for the account of another person, according to the Civil Code, it is considered that it acts as agent.

Rules for the application of Law 571/2003 PriviD Tax Code states that if the agent arranges a service, the provider performs services by the beneficiary, which billed directly on behalf of the beneficiary and the trustee perform a service, commission for drawing up the bill that represents the services rendered by the principal intermediary, ie the beneficiary or, where appropriate, by the supplier. The issuance by the Agency (agent) to an

invoice in his name by the purchaser for brokered services is sufficient to turn the buyer reseller in terms of value added. Also, the agent gets in terms of value added reseller and buyer if the seller receives an invoice in his name.

In conclusion, the travel agent may choose to apply normal tax regime for transactions treated as unique service, except that requires special taxation regime (is an individual traveler or travel services and components which include the operation site is abroad). In this case, however, take into account the provisions of Article 129 paragraph (2) Tax Code which says that 'when a taxable person acting in his own name but on behalf of another person, take part in a service, it is considered that received and supplied those services himself. 'When travel agency applied the normal charging will re-invoice each component unique service tax rate for each component.

In addition, the taxable amount of each component in normal fee charged will include the profit margin of the travel agency.

Regarding legal traveler, this is an advantage when it receives an invoice from the travel agency during normal charging, because they can run right to deduct VAT law which it would have had if the billing service was special.

5. Special records for VAT for a travel agency

The travel agency must keep under regulations on VAT in the Tax Code, and any other records necessary to establish the tax due.

When the travel agency performs both operations under normal tax regime and operations under the special regime, it must keep separate accounts for each type of operation.

Provide methodological rules in this regard as to determine the amount of tax collected for services performed in a single fiscal period, the travel agencies will keep journals of sales or, where applicable, receipts slips, which recorded only the total document sale including tax.

These journals will keep separate dockets of operations for which the normal tax regime.

Also, travel agencies will keep separate diaries of purchases that will highlight the procurement of goods and / or services covered by the unique service costs. Tax base and the tax amount collected for services rendered in a single fiscal period will be determined on the basis of calculations for all operations under the special regime of taxation in the tax period in question and highlighted the appropriate tax return. In determining the tax base will not be taken into account amounts received on account that cannot be determined expenditure and also cannot be deducted expenses of supplies or services that have not been sold to the customer.

The model log table for sale presented to the Ministry of Finance no. 1372 of 6 May 2008 concerning the organization of record for the purpose of value added tax, according to art. 156 of Law no. 571/2003 regarding the Fiscal Code, there 11 columns that can be placed the total value of invoices by applying the special scheme where the VAT is included. This column can be completed only if the agency's program allows the collection log sales invoice total value consists of invoices received from suppliers, travel agency profit margin and VAT collected on margin. However, the basis for reporting VAT collected by the VAT sales journal remains issued separately only for application of the special. In conclusion, the invoices issued by travel agencies using the special scheme, requires two sales journals:

- A journal for highlighting the special invoices of which take only the tax base and VAT collected;
- A journal for highlighting all invoices issued by the travel agent that applies both the special and regular taxation regime; in this journal in special invoices fall in total value.

For VAT included in the invoice issued by the application of the particular journey VAT taxable person cannot exercise the right to deduct VAT as the tax amount is not stated on the invoice separately by the travel agency. The claim stated on the invoice 'VAT included' does not entitle the traveler to exercise the right to deduct VAT recalculated by applying the 24/124 on the total amount invoiced by the travel agency.

Conclusions

Value added tax regime is difficult to determine in the case of travel agencies, given the diversity of services provided by a travel agency for which the Tax Code provides the normal tax code or on the particularly one, depending on the service provided. We also considered necessary to exemplify each type of service sold through invoice and accounting records, emphasizing that a travel agency revenues are actually consisting solely of the commission charged and that it would be unfavorable to record the full amount on the invoice as revenue. Even more now, since, from February 2013 (but for those who have chosen earlier microenterprise category), microenterprises income tax is mandatory for those who earn incomes below 65 000 euro and is calculated by applying a percentage of 3% to the amount considered taxable income under the Tax Code art.1127. Therefore,

the basis for calculating the tax on income from tourism services would be determined by summing up all transactions for the sale of tourist services (in fact that being quite the revenue or turnover), because in the case of microenterprises expenditures made or their nature are not take into account (deductible, non-deductible, limitedly deductible) as in the case of tax payers.

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Theoretical and Practical Approaches on How to Training of Expenditure and Revenue in Catering Activity

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Abstract

Accounting Compliance with European Directives and International Financial Reporting Standards (IFRS) refer in particular to the accounting of income and expenses, after the methodology and implementation mechanism is one of the most important and difficult filing sectors entity. In the sector of evidence nomination forms a series of financial indicators as the basis for determining tax liabilities, entities budgeting, management and economic decision making. The accuracy and timeliness of calculating disclosed are interested for all users of the final financial statements.

Although there are studies with a significant contribution to the clarification of certain aspects of tourism activities in Romania, although there is general accounting regulations in revenues and expenditures, however, needs to practice, they do not cover all the issues.

Keyword: revenues, expenses, production, trade, services, price differences, stocks.

JEL Classification: M12, M54, J53

1. Introduction

Formation, structure and size of expenditures and revenues depend largely on technical and technological and organizational peculiarities and the scope of the economic entity operates. This finding explains why economic entities varies from one industry to another and even within the same branch at which, whether it appears certain types of expenditure and revenue, whether it generates economic operations have a different weight which leads the structure and different size of expenditure and revenue (Briciu 2006).

Organized in tourism activity or as standalone activity, catering is the supply of meals – Catering Menu type - and other services ordered by the customer designed to meet a wide range of consumer preferences.

Moreover, catering business can develop:

- either by expanding existing activities catering to the distribution functions of the menus at the doorstep;
- be only preparation unit development – the kitchen – and the distribution system at the doorstep with or without involvement in organizing events.

2. Cash accounting related to catering activity

Seen under this aspect, in accounting terms, in the course of catering will meet both the activity of sale of goods (goods and / or finished products) and service activities.

To properly record these streams, the first step is to identify the category of activities falling conducted operations so they can be properly used appropriate accounting structures (Toma 2010).

The tie economic flows belonging trade activity for those belonging to the production activity, it should be borne in mind that the trade activity does not create a new value utility in production while creating a new product different from the original (Iacob 2008).

2.1. The flow sheet for the trade activity

The company sells the products they bought from vendors in the state (such as juices, sweets, bread), so that they will be recognized as goods on behalf of 371 'Goods'. Capital expenditure will be recorded in account 607 'Expenditure on goods', and proceeds from the sale of these products will be recorded in Account 707 'Income from sale of goods'. Usually track goods in this class take the retail price including VAT. Consequently, use and accounting structures 378 'commodity price differences' for trade margins and 4428 'VAT not due', which leads to the following schematic operations selling of goods.

2.2. The flow sheet for the production activity

Consequently, materials purchased to produce 301 meals are recorded in 'Raw' or 3021 'auxiliary materials', as applicable, and expenses resulting from their use in account 601 'Raw material costs' and 6021 'Expenditure auxiliary materials'.

Release raw materials from storage in the kitchen is made based on consumer bills completed the applications command issued by the head chef, based on the menu. Both the control application and the receipt of consumption, indicate the full name of product, type and quantity of materials specific units to be consumed.

Regarding the aspect of production itself is determined based recipe and then use the cost of production for each type of food, cost to be recorded in account 345 'Finished products'. Due to the activity, account 345 'Finished goods' has no balance at end of period.

The delivery of products to customers to download the management of finished goods production costs calculated based recipe. Consequently, anywhere caterers are not calculated cost effectively, which is why the account 711 'Income cost of inventories of products' will be credited and will be debited with the standard cost (cost calculated based recipe) and any deviations between actual cost and standard cost will be reflected indirectly in the income statement.

Referring to the methods of stock assessment output, note that you can use any method because the gap in time between obtaining products and point of sale is very small (Iacob and Goagără 2006). We note, however, that the practice in the field using standard costs (the recipe) given the convenience of determining such costs for each dish, and in times of monetary stability they are established at intervals of time provided keeping product mix. In periods of price fluctuation is large, these costs are stables month, starting from the actual costs of the previous month.

Using standard cost method, however, requires the use of 348 account 'differences in prices of finished products' that records the differences between plus or minus standard cost and actual cost, we find that account is not found in the books caterers (Pântea and Pop 2004).

In terms of accounting for revenue from the sale of products, there is peculiar to the general.

2.3. The flow sheet for the business of providing services

May occur if the company is required to organize events – for example, weddings, birthdays, holiday events in the companies, parties, cocktail parties, receptions, offices and branch openings, fashion shows etc.

There are companies that deal only with events and working with caterers to provide food products.

If the caterer organizes events separately invoiced effective service organization, quantifying labor depending on the event. In this case, the revenue credit to the account is registered 704 'Income from service'.

For the above argument, we submitted to MyWay Craiova caterer who has the objects of trade, production and services. In the example in Table 1 we quote you have considered marketing as menu dishes – soup and type II – packed in disposable containers and transported to the doorstep or at his workplace. Also, early orders are prepared and prepared for various dinners and receptions. Typically, the transport is included in price.

Table 1. Coverage of expenditure and revenue in catering companies

Explanations	Records practiced	Remarks
Under the bill be purchased at Metro-ating juices worth 500 lei, VAT 24%. Commercial additives practiced 20%	371 = % 600 401 500 378 100 4426 = 401 120	Records of the nature of the goods beverages Keep retail price without VAT
According invoice acquiring plastic bags and containers for food worth 70 lei, disposable cutlery and napkins 30 lei, VAT 24%	% = 401 124 3023 70 3028 30 4426 24	
According slip procurement is purchased by individuals authorized by the certificate of farmer, vegetables worth 40 lei	301 = 5311 40	Purchase can be made and cash advances, in which 5311 account instead of 'House' will use the account 542 'Cash Advances'

Explanations	Records practiced			Remarks
Record the purchase of chicken according to the invoice value of 80 lei, VAT 24%	% = 401	99,20		
	301	80		
	4426	19,20		
It acquires diverse and vinegar spice up worth 6 lei, VAT 24%	% = 5311	7,44		Some comment above
	3021	6		
	4426	1,44		
Record the commissioning consumption of raw materials and auxiliary materials the same day - the most common situation.	601 = 301	30		Feature: knowing the cost, specific identification method is applied in determining the amount of output. This means a fourth-me of the value of raw materials and auxiliary materials
	6021 = 3021	1,50		
According to the annual report recorded getting 10 servings of stew chicken recipe cost-based default, 4.2 lei / portion	345 = 711	42		Note: the cost of set-based recipe is a raw material cost and therefore does not include the value of labor and overheads
Since the company working under orders at the end of the day does not have stock of finished goods, which is why downloads daily management of all production day	711 = 345	42		
Record sale of 10 servings at a price of 6.5 euro / portion, 24% VAT. At this price plus the value of Consul-combustible materials (cutlery, napkins, trays) worth of 15 RON and 10 bottles of juice bought 2,5 lei / glass and selling for 3.0 lei / glass trade margins being 20%	5311 = %	136,40		The delivery of finished products, they are accompanied direct tax receipts that is passed payable by customer value
	701	65		
	707	30		
	708	15		
	4427	26,40		
Disclaimer: Typically transport is included in the value of goods sold. If the shipment is billed separately, transmission service charge will be recorded in the credit of the account 704 'Income from service'				
Downloading management of consumables at cost (trays, napkins and disposable cutlery) and management of juices	6023 = 3023	2		Records of the nature of the goods beverages Keep retail price without VAT
	6028 = 3028	3		
	% = 371	30		
	607	25		
	378	5		
Personal opinion: if consumables, to avoid downloading from management after each exit or highlighting them for downloading monthly management may be organized synthetic accounting inventory method flashing its principles.				

If the finished product is supplied by a company for employee meals, dinners, events, etc., they will bill. In these circumstances, the claim will be recorded in debit of account 4111 'Customer' and income – Income in the appropriate accounts, VAT collected on. In this case, debt collection can be made either in cash or by bank transfer, depending on the conditions stipulated in the contract between the caterer and the beneficiary or transaction agreed (Simionescu 2010).

Conclusions

Whether we like it or not, all activities are generated more or less by expenses and incomes.

In tourism activities, in what concerns the production, there is a common feature in the assessment of stocks of finished goods in the sense that it includes only the value of the cost composition of raw and materials without comprising workmanship and expenses directing whose size is taken into account in pricing. Therefore, in the absence of management accounting, we cannot speak of an assessment of the cost of production but at a direct cost of raw material, adverse effect on the possibility of judging the economic performance of the entities concerned.

The overall objective of a business is the life and prosperity of the enterprise, and achieving these overall objectives calls for the implementation of an action plan, a path that would lead the company from a lower initial stage to the final stage higher.

Accounting information about income and expenses have substantial value and macro level it contributes to the solution of various problems such as: creating a favorable business environment to attract foreign investment; estimating the performance of companies in honoring obligations to the state and business partners; sector development by increasing budget revenues due to collection of taxes and other payments calculated based on accounting data; monitoring and control over state-owned enterprises; combating illegal transactions; ensure international comparability of macroeconomic indicators etc.

The facts of the above conditions need to consider complex issues of accounting for revenue and expenses and improve its compliance with international requirements and current level of economic development of local entities.

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Empirical Investigations in Romanian Foreign Trade Based on the VARMA Bayesian Model

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Abstract

Agri-food product export plays a direct and incontestable role in accelerating our country's economic development, and removal of technical obstacle in agricultural trade will provide new opportunities for considerable benefits in an increased commercial exchange with our foreign partners.

Selection of the years 2002-2013 for a review of Romania's foreign trade of agricultural and food products enables us to capture the significant mutations occurring in the first decade of the 21st century in regard to groups of products: live animals and animal products, plant products, animal and plant fats and oils, food products, beverages and tobacco

The international business environment did not always favorably impact international trade in food products, especially due to natural barriers, but also to the global financial crisis, the consequences of which translated into a dwindling consumption of such commodities on the foreign markets.

In order to reduce the negative effects on the national economy and targeting an increase agricultural output under market economy conditions, Romania promoted and developed a dedicated national export strategy to provide adequate strategic answers to the community of Romanian exporters so as to meet the competitiveness objectives, support and promote the exporting sectors and their external image in the agricultural sector.

Keyword: food agri-products, export, import, National Export Strategy, priority, agriculture.

JEL Classification: F14, C53, C32

1. Introduction

In the context of Romania's foreign trade in agri-food products during 2002 – 2013 we present and review the development of foreign trade in agri-food products showing both the positive and the negative aspects in the trend of the following indicators: export, import, cumulated trade balance, and the Gross Domestic Product, using the VARMA Bayesian econometric model.

The lower share of agriculture in the Romanian domestic product was due to a number of causes, some of which started emerging as early as the last decade of the 20th century and continued during 2002 – 2013. It had to do with the crumbling land ownership, reduction of cultivated lands and territorial dispersion thereof, a drastic cutback of irrigated land, smaller amounts of chemical fertilisers as an average per hectare, and a still underdeveloped mechanisation in agriculture.

Moreover, in the context of global warming, the dwindling amount of rainfall could not provide high and constant agricultural yields. The factors that impacted agricultural crop yields adversely also affected livestock production. Such influences marked the evolution of Romanian commercial agri-food exchanges.

2. Description of the scope of research

For a more detailed analysis of trends in export, import, trade balance and coverage of imports by exports of Romanian agri-food products, during 2002-2013, we thought it best to start with an overview of this 12 year period, based on the data shown in Figure 1 and the years 2002-2013 – in Table 1.

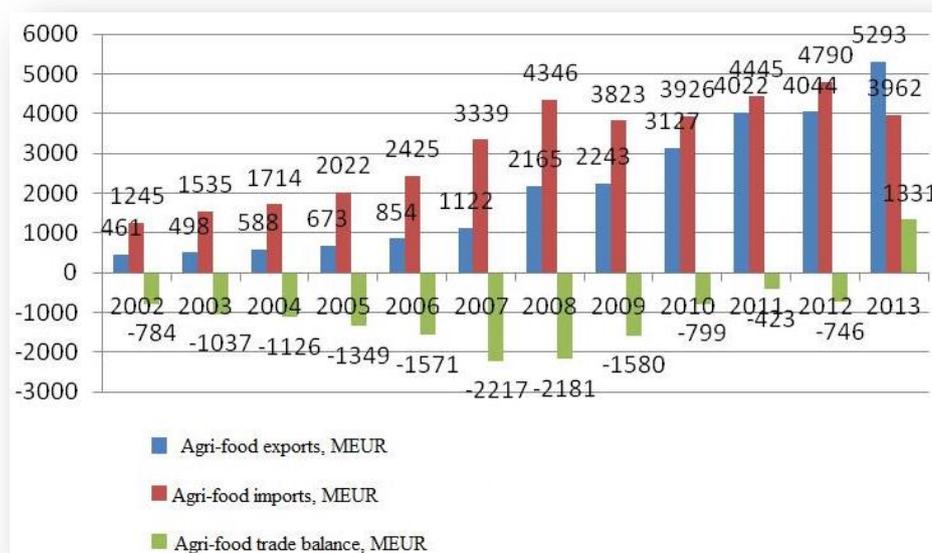


Figure 1. Evolution of Romanian agri-food foreign trade during 2002-2013.

Source: prepared based on source data from (INS 2002 – 2013, 2014).

Based on a review of the data published by the Romanian National Institute of Statistics, we can say that both exports and imports of agri-food products in the four categories: Livestock and animal products, plant products, animal and plant fats and oils, food products, beverages and tobacco have registered a positive trend almost throughout the period of observation.

Imports of agri-food products overtook exports year-on-year during 2002-2012, which caused an increasing trade deficit during this period, while, for the first time in 2013, they dropped by MEUR 1331 relative to exports. Cumulated agri-food exports, which amounted to MEUR 25.1, they accounted for about 0.1% of the total Romanian exports, which totalled BEUR 367.0 during the same period. The highest contributor to this result was the group of *plant products* accounting for 51% of the total export of agri-food products, followed by the group of food products, beverages and tobacco at 27% (INS 2002 – 2013).

Table 1. The main indicators for the Romanian agri-food foreign trade during 2002-2013, (MEUR)

	Cumulated exports	Cumulated imports	Cumulated trade balance	Import coverage by export (%)
2002 – 2013				
Total	21046	33786	-12740	62
<i>of which:</i>				
Livestock and animal products	3571	8575	-5004	42
Plant products	10736	9630	1106	111
Animal or plant fats and oils	1128	1511	-383	75
Food products, beverages and tobacco	5611	14070	-8459	40

Source: processed by the authors based on data from source (INS 2002 – 2013)

As for the cumulated Romanian *imports* of agri-food products during the period under review, they amounted to BEUR 33.8. The same groups of products as in exports were top ranking. However, in this case it was *food products, beverages and tobacco* that ranked first, with a 42% share with imports between 2002 and 2013 totalling about BEUR 14.1.

Romania's cumulated trade balance for agri-food products overall registered a BEUR 12.7 deficit during 2002-2013, of which BEUR 8.4 in the group of *food products, beverages and tobacco*, representing more than 66% (INS 2002 – 2013).

In 2013 Romania's export and import primarily involved European states (86.0% of the total exports, and 90.2% of the total imports, respectively). Intra-Community trade (with the 27 EU Member States) accounts for 70.6% of the exports and 76.4% of the imports (WTO 2013).

According to the data of the Foreign Trade and International Relations Department (Department of Foreign Trade and International Relations 2014; Portalul de Comerț Mondial 2014), in 2013, the top 10 destination countries for Romanian exports included: Germany (for 19.0% of the total Romanian exports), Italy (11.9%), France (7.0%), Turkey (5.5%), Hungary (4.9%), the UK (4.2%), Bulgaria (3.6%), The Netherlands (3.1%), the Russian Federation (2.8%) and Poland (2.4%), the cumulated share for these countries being 64.4% of the total exports (World Macro Monitor 2014).

In *imports*, the top 10 Romanian partners (countries of origin for extra-Community imports and shipment of intra-Community imports) accounting for 68.1% of the total imports in the first seven months of 2013, included: Germany (18.6%), Italy (11.7%), Hungary (8.2%), France (6.1%), Poland (4.5%), Austria (4.1%), the Russian Federation (4.0%), The Netherlands (3.7%), China (3.6%) and Turkey (3.5%) (World Bank 2012).

It is significant that after Romania's accession to the EU, the negative trade balance for agri-food products overall marked a descending trend, as shown in Figure 1 from about BEUR 2.2 in 2007, 2008 to MEUR 799 in 2010, and a positive balance in 2013 at BEUR 1.33.

It is also important to *review the imports coverage by exports* of Romanian agri-food products, which expresses the extent to which personal and productive consumption is provided from foreign commodities. In this regard, for 2002-2013, according to Table 1, imports were covered by exports of Romanian agri-food products only up to 62%, while, by groups of products, the lowest was for *food products, beverages and tobacco*, i.e. 40%, and the highest for *plant products*, at 111%, noting that in 2008-2011 wheat exports were 1.5-2.5 million tons/year, quite a bad situation when non-processed raw materials are sold abroad.

Romanian exports (FOB) in 2013 were MRON 219121.6, and imports (CIF) – MRON 244334.7. The authors present Figure 2, which allows us to compare this with the years 2008-2012; therefore, in 2013 vs. 2012, exports increased by 9.1% in lei amounts, and imports – by 0.2%. The trade deficit FOB-CIF in 2013 was MRON 25213.1, MRON 17774.9 less than in 2012 (INS 2002 – 2012).

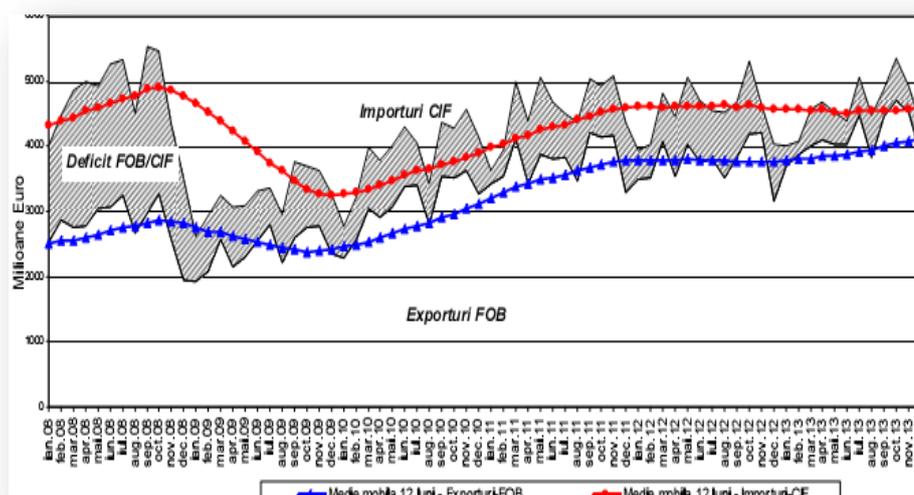


Figure 2. Exports (FOB), imports (CIF) and balance (deficit) FOB/CIF in 2008 – 2013

Source: INS (2002 – 2012).

The amount of intra-Community commodities exchange (Intra UE28) in 2013 was MRON 152503.4 in exports and MRON 185013.9 in imports, i.e. 69.6% of the total exports and 75.7% of the total imports.

The amount of extra-Community commodities exchange (Extra UE28) in 2013 was MRON 66618.2 in exports and MRON 59320.8 in imports, i.e. 30.4% of the total exports and 24.3% of the total imports.

Resolving the issue of negative trade balance is, in our opinion, of the utmost importance for the Romania's external economic balance and for internal balance. The impact of the negative trade balance affects the current account of the balance of payments, the exchange rate of the leu, the development of industrial and agricultural production, the service of foreign debt, household consumption, the direct foreign investments (Antohti *et al.* 2004).

We appreciate that in analysing Romania's foreign trade during 2002-2013, the use of charts and tables provide an opportunity for consistent judgement of the quantitative aspects in columns, while percent coverage shows the qualitative aspects *f* foreign trade in their dynamics.

3. Case Study

Using the data in the Foreign Trade Yearbook of Romania for macroeconomic indicators: GDP, Romanian exports and imports, expressed as volume indicators - %, against the corresponding quarter of the preceding year for the 2001-2012 period, we estimate, using the VARMA Bayesian econometric model (Chan and Eisenstat 2014; Chan, Eisenstat and Koop 2014) the evolution of those indicators.

More precisely, the VARMA (Vector Autoregressive Moving Average) econometric model is given by the formula:

$$B_0 y_t = B_1 y_{t-1} + \dots + B_p y_{t-p} + \Theta_1 \epsilon_{t-1} + \dots + \Theta_p \epsilon_{t-p} + B_0 \epsilon_t \quad (1)$$

Where:

B_0 is the lower triangular matrix unit, and the restrictions of the econometric model are placed by coefficients $y_{t-1}, y_{t-p}, \epsilon_{t-1}$ (Lütkepohl 2005).

The Bayesian approach to this model is based on the stochastic research of the selected variables (e.g., George and McCulloch 1993) to identify the relevant coefficients and remove (by scaling down to zero) the irrelevant coefficients.

In general, a combination of the VARMA and SSVS (Stochastic Search Variable Selection) econometric models suits the analysis of time series at the macroeconomic level for Romania, as they provide a strong balance between elasticity and parsimony.

In general, the combination a canonical VARMA specification together with SSVS is ideal for analysing Romanian macroeconomic time-series because it offers an important degree of balance between flexibility and parsimony.

For Romania, this is an essential characteristic of any empirical undertaking, as the national economy underwent not only frequent and significant structural changes, but the degrees of liberty in the forecasts are also limited to short strings of series (e.g. we only use the data for 2001 – 2012 in this study).

The results obtained from applying the VARMA econometric model include:

Table 2. Kronecker indicators estimated for each series

	Average	Standard deviation
GDP	1.12	0.41
Exports	1.36	0.56
Imports	1.09	0.32

Estimate interpretation based on the Kronecker indicators shows that each variable is essentially based on information provided by the preceding quarter exclusively.

Table 3. Estimated VA coefficients

	GDP $t-1$	Exports $t-1$	Imports $t-1$
GDP t	0.597**	0.046	0.284*
Exports t	-0.009	0.539*	0.019
Imports t	-0.001	0.022	0.742*

Estimated VA coefficients

Note: ** denotes significance at the 1% level; * denotes significance at the 1% level.

Table 4. MA (Moving Average) Coefficients

	PIB $t-1$	Exporturi $t-1$	Importuri $t-1$
PIB $_t$	0.097	0.002	0.039
Exporturi $_t$	0.193	0.094	0.054
Importuri $_t$	0.116	0.025	0.047

Estimated 1st lag moving-average coefficients.

Note: none of the coefficients are estimated to be significantly different from zero.

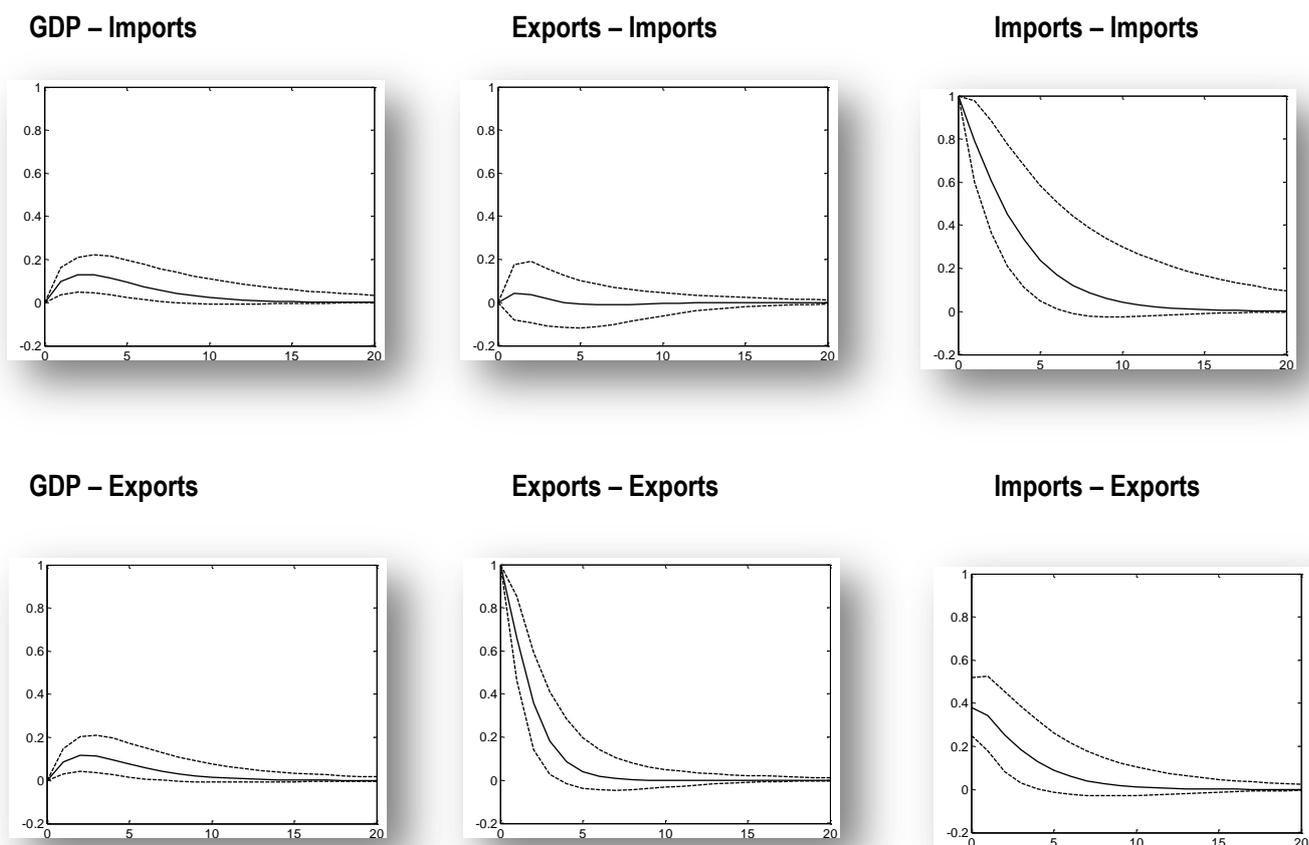


Figure 3. Impulse Responses to a 1% shock in imports (top row) and exports (bottom row)

The above graphical estimation shows the evolution of macroeconomic indicators: GDP, export and import with a percentage increase of 1% of imports over 5 years, using the quarterly data series for the years 2001 – 2012.

- If imports currently grow by 1%, the GDP will register a slight increase of up to 0.2% for the first out of the five years, then the increasing trend will disappear.
- If exports currently grow by 1%, the GDP will maintain the same slight increasing trend as in the first case.
- If imports grow by 1%, the increase will not influence the evolution of exports over the following 5 years.
- If exports grow by 1%, this will generate an increase of up to 0.4% of Romanian imports over the first 3 consecutive years, then a decreasing trend down to 0% will be observed over the next 2 years.

Conclusion

The GDP seems to respond in similar ways to both significant changes in exports and to significant changes in imports. The effect of the changes, however, disappears after 5 years. Note that exports do not respond to the changes in import evolutions, but imports do respond to changes caused by trends in exports even more than the GDP does.

For the review period, the first decade of the 21st century, in agri-food products, the Romanian foreign trade did not capitalise on the export potential of agriculture enough, with imports amounting to double the shipments of Romanian products abroad, with negative effect on the trade balance during the review period.

Finding a solution for solving the issue of negative trade balance has acquired a growing importance for the Romania's external economic balance. Understanding and implementing the operating mechanisms of the Common Agricultural Policy should be done in such a way as to restrict the impact of ecological aggression from the Atlantic Ocean to the Mediterranean and to the North Sea and to obtain a 'standard European quality' of agricultural products that meet the requirements of environmental and landscape protection and consumer affordability and improve the quality of life for the citizens;

We think it is necessary to introduce some restrictions to imports, leading to an improvement of the trade balance deficit, protecting national economies and favouring refurbishment in the agricultural support industries;

Investment is necessary on producing commodities (finished products) that can compete with imported products, with a positive impact on the development of the domestic market by entraining all its components: increase the volume of national agri-food production, reduce unemployment, especially in the rural environment, development, modernisation, refurbishment of agricultural industry.

Solutions need to be found to solve the issue of negative trade balance, which has become of the utmost importance for the Romania's external economic balance.

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