

## Accounting information on the balance sheet – with errors, in the case of gambling companies

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**Abstract:** *Accounting information is information that the stakeholder absorbs from the provided data. The biggest risk is that we do not know the source of the presented data, or rather, in the case of accounting balances, the economic events that are presented in the balance sheets. The most obvious case is the accounting of gambling activities, that is, the reflection of income, receipts in accounting, and, on the other hand, expenditure and payments in monthly balances, and finally in the annual balance sheet.*

*The accounting balance sheet must accurately present the economic transactions, from which the stakeholder draws the accounting information he needs. At the end of the paper, we present the specific accounting records that are in contrast to those that tax inspectors expect.*

**Keywords:** *risk, accounting information, stakeholders, gambling, errors*

### 1. Introduction

The gambling market has reached a turnover of about 1 billion euros per year – according to „Ziare” newspaper, which means sports betting, lottery, slot machines and casinos. This market is very strictly regulated, and annually brings to the Romanian state about 171 million euros to the GDP (0.13%). At the same time, in the gambling industry, there is a dense fog: as revenue and expenditure are accounted for, cashing are in fact an income for the gambling organizer, and the revenue and payment gap is considered revenue or not.

The gambling accounting for this problem in all European countries, there is no clear solution. The authorities are not busy with accounting regulation, but by preventing addiction. Therefore, the market has been very narrowly restricted, for example. Hungary

This issue occurs around 2011, and the author of this article had several discussions with ANAF representatives and ONJN (Oficiul Național de Jocuri de Noroc - National Office of Gambling) representatives on the accounting treatment of

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the economic events of receipts and payments vs. income and expenses on slot machines.

We had several discussions and participated in the ROMBET (Asociația Organizatorilor de Jocuri de Noroc - Association of Gambling Organizers ROMBET) seminars where, together with Vice-President Anchidim Zăgrean (Anchidim Zăgrean is Vice-President ROMBET, and bookkeeping expert), we made calculations and made accounting notes on the recording of these items in the accounting.

At the same time, in the magazine *Prietenii Fiscalității* (Friends of Taxes), was published the study of Adrian Bența (he is tax consultant and editor of the magazine *Prietenii Fiscalității*) in which he affirms that according to the accounting doctrine, respectively Art. 19 paragraph 3 of the OMPF 1802/2014.

## **2. Objectives and methodology of research**

Given that the Romanian state and the Romanian tax inspectors have different views on the accounting of the gambling organizers' revenues and expenses, we have tried to clarify what it means to be a gambling organizer and finally to propose bookkeeping records, which – in our opinion – exist and have an objective character and contains the truth about the accounting in the accounting of the economic fact of organizing gambling.

### **2.1. Material and methodology of research**

In our analysis, we first used as a method the gathering of information, their processing and at the same time also we interpreted the result.

As a support technique, we studied the specialty literature, searched for different databases, selected available information (Seminars ROMBET, exchange of views with Bența and Zăgrean 2016), and correlated the different information.

As a procedure, we used the consulting of available documents, i.e. legislation on bookkeeping and gambling, we used of online search engines for ROMBET seminars, the building of balance sheets for the processing and interpretation of research results. As an investigative tool, we used the databases of various gambling organizers, namely the primary accounting, balances and balance sheets, of which three in Harghita County, one in Timis County and one in Braşov County.

The sources of information were legal regulations on bookkeeping, and gambling organizing. In the field of gambling accounting, we have found no scientific publications and specialized studies apart from the ANAF methodological specifications in December 2015. This specification was published on ANAF site in December 2015 and later on ANAF's facebook.

We consider that our approach is deductive, because we started from existing theories on accounting for economic events, through existing concepts and methods, we have further customized them by applying them at the level of gaming operator companies.

In order to conclude the results, methods, techniques and tools, together with the methods used, we used as a basis a mainly deductive approach, and given that the research is primarily qualitative and only the second quantitative, we have corroborated them with balance sheet items and the profit and loss account.

Apart from the fact that a scientist must be passive about economic events, in a few cases we have allowed us to be subjective, not just objective, because we found that in the controls of ANAF and ONJN, the inspectors came with preconceived ideas which they would have to change or modify during the control. So sometimes we tried to influence the events of the controls ...

### 3. Gambling accounting

After several disputes in period 2010–2015 – because there was little specific gambling legislation in place before the end of 2010 on the organization of gambling companies' accounts, in December 2015 there was a clarification from ANAF regarding organizing and accounting for gambling events. Regrettably, this approach has become totally erroneous, a situation that some of the tax auditors still do not recognize, but others, especially from the ONJN, agree. Normally, because we live in Romania, there is no consensus between ANAF and ONJN, the two institutions have often proved to have parallel concepts of gambling solutions.

Thus, in ANAF's view, the total receipts will be accounted for as follows:

- 5311 "Cash register in lei" = 708 "Income from various activities" – analytical gambling

And the payment of prizes:

- 658 "Other Expense Expenses" = 5311 "Cash register in RON" – analytical "gambling"

As can be seen, the result is that all receipts will be counted globally in the accounts of 7, and the prizes – as a direct expense – in accounts of 6.

This approach of the problem is basically a totally wrong approach because ANAF, when elaborating this specification, has used conventional methods for conventional economic events. Such ex. in the case of the sale of bread, ownership of the goods (bread) after payment is transferred to another person, so the sale can be considered to be an income, an irrevocable trade fact.

In the case of gambling operations, the organizer makes an offer to the players that is regulated by the Gaming Regulation, and in fact, the player, in return for a participation fee (which until February 2015 was the entry ticket), buys his right to play. Thus, the amounts (the money introduced into slot machine slot machines) are

transferred in pulses. But the player has the right to change those impulses back without playing, or after a game in which he has not won and lost nothing (eg., in one hour he has lost the same amount which he won), these impulses will change into Money means.

The gambling organizer (operator) cannot make a decision on this, because in this case it is about luck, or using mathematical language these are specific probabilistic collections. That is, from the point of view of mathematics, games of chance are experiments that in their nature create more types of random events, and these probability events can only be calculated by taking into account their specific properties and probability laws.

As it emerges from the above-mentioned ideas, it turns out that the money deposited by the player in the apparatus, or changed in impulses, **is not an income**. At the same time, his decision to give up the game, and to change the money impulses he can recover, is not an expense for the organizer.

By translating these economic events into the language of accounts, which are documented in the supporting documents, operations are actually recorded as follows:

- 5311 " Cash register in RON " = 462 "Various Creditors" – analytical  
Payment of prizes awarded and gambling organizer income:
- 462 "Various Creditors" – analytical = %
- 5311 " Cash register in RON "
- 708 "Income from various activities"

These operations, which are reflected in the annual balance sheet (balance sheet 2015), from the simplified profit and loss account, the following figures appear:

<b>PROFIT AND LOSS ACCOUNT</b> on 31.12.2015 <b>Form 20</b>			- RON -	
Name of indicators	No.	Accounting cf. ANAF	Accounting cf. new conception	
	rd.	2015	2015	
A	B	1	2	
1. Turnover	1	11605053	3176508	
OPERATING INCOME - TOTAL (rd. 01 + 07 - 08 + 09 + 10)	12	11734812	3306267	
OPERATING EXPENCES - TOTAL (rd. 13 la 16 -17 +18 + 21 + 24 + 27 + 32)	35	11555495	3126950	
OPERATING PROFIT OR LOSS:				
- Profit (rd. 12 - 35)	36	179317	179317	

PROFIT AND LOSS ACCOUNT on 31.12.2015 Form 20			- RON -	
Name of indicators	No.	Accounting cf. ANAF	Accounting cf. new conception	
TAXABLE INCOME - TOTAL (rd. 38 + 40 + 42 + 44)	45	18	18	
TAXABLE EXPENCES - TOTAL (rd. 46 + 49 + 51)	52	0	0	
TOTAL INCOME (rd. 12 + 45 + 57)	61	11734830	3306285	
TOTAL EXPENCES (rd. 35 + 52 + 58)	62	11555495	3126950	
BRUT PROFIT OR LOSS:				
- Profit (rd. 61 - 62)	63	179335	179335	
- Loss (rd. 62 - 61)	64	0	0	
18. Profit tax (ct.691)	65	28679	28679	
19. Other taxes not shown in the above items (ct.698)	66			
20. NETTO PROFIT OR LOSS				
- Profit (rd. 63 - 64 - 65 - 66)	67	150656	150656	
- Loss (rd. 64 + 65 + 66 - 63)	68	0	0	

Table 1. Profit and loss account

If the accounting is made by observing the ANAF statement, there is a very large CA, namely 11605053 RON, and in our opinion, according to the reasoning presented in the above, CA is only 3176508 RON, i.e. 72.62% less. For spending, the amount is 72.93% lower.

#### 4. Conclusions

Accounting (bookkeeping) information is information – theoretically accounting data and numbers – that are known or recognize only by qualified stakeholders. Unfortunately, the annual balance sheet contains erroneous (we can say fictitious) accounting data, of which specialized accountants can draw unreal or unreasonable conclusions.

In a more superficial analysis in the case of column 1, we can say that it is a company that has a very high CA ... and all subsequent analyzes start from the key figure of CA, and in case of column B, the result is not so spectacular ... and yet one and the same business and economic events are at stake.

Starting from the premise that the balance sheets are drawn up correctly and the result is true, we already have some key figures that do not resemble or coincide. Indeed, the final result, i.e. the profit is the same, but the balance has become artificial and does not meet the accounting principle "Accounting and presentation of balance sheet items and profit and loss account" (Order 1802/2014).

In addition to microeconomic information that is not such a serious phenomenon, GDP is calculated from microeconomic information, i.e. from balance sheets. If an economic branch, such as the gaming industry, bears misinformation, how can it be about the correct and real calculation of the global national GDP?

We hope that ANAF will recognize and remedy the mistaken accounting of these issues in the future and will develop a new, relevant methodology that faithfully corresponds to real economic events.

## 5. References

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