

THE ROLE OF ACCOUNTING IN THE EVOLUTION OF THE ROMANIAN ECONOMY

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Abstract

Accounting has a very important role in offering useful information to the interested users, and they are able to take decisions based on this essential information.

A very important part of the development of Romanian economy is represented by increasing the quality of the financial-accounting information. All these, along with increasing the quality of the fiscal statements, by offering multiple services of high rank to diverse trading companies.

With a view to achieving an efficient level of comparability and transparency, the accounting information needs to be detailed and explained properly.

Key-words: *users, financial-accounting information, fiscal statements, comparability, transparency, development*

JEL Classification: M₄₁

1. Introduction

Accountancy is a component of economic informational system at the same time with the market economy development and its complexity increase, so that this can give the information necessary for taking decisions by the managers of the economic entities or can reflect correctly their patrimonial situation but also the financial-economic results.

The main data source of the economic informational system is accountancy. The founder of accountancy is considered Luca Paciolo, who in the year of 1494 published the work *Summa de aritmetica, geometria, proporzioni et proporzionalita*. The method of registration in double entry is presented in one of the chapters of the previously mentioned work, the chapter named *Tractatus de computis et scripturis*.

Accountancy assures:

- gathering and processing of information regarding the economic position of one economic entity;
- substantiation of principles, method and techniques of obtaining, processing, analysing and using of accounting information, of organizing and managing of accounting practice.

Specialized literature consulted

The study is based on the updated legislation and economic press regulating the accounting activity as well as on specialized literature. Regarding specialized economic literature, I had in view papers comprising theoretical and practical elements that are generally valid in time.

2. Objectives of accountancy

Accountancy is a system of information subject to some conventions and norms socially definite and it can exist or develop itself only in human societies which has drawn a high enough organizational degree (Michel Capron, 1994).

It reflects and coordinates, on basis of a proper system of information, the patrimony of economic entities, autonomous from the administrative point of view, in quantified expression, the modifications which take place as a result of the processes of provisioning, production and sale, as well as the results obtained in the economic activity (Gheorghe Cretoiu, Ion Bucur, 1994).

In Romania is used the dual organizing concept. Thus, at the level of an economic entity we can distinguish the two components of accountancy, namely the financial accountancy and administration accountancy.

The main objective of financial accountancy is the one of giving information concerning the financial position, the performances and modifications of the financial position. This information is extremely important both to the economic entity management and the external user, as:

- potential and present investors;
- employees of the economic entity;
- creditors of the economic entity;
- suppliers and other creditors;
- clients of the economic entity;
- state institutions and other authorities;
- public.

Each of the categories of users previously mentioned uses the information presented by the financial position for fulfilment of different needs. For example, the state institutions and other authorities are interested in resources assignment and implicitly by the entities activity. These solicit information especially with a view to determine the fiscal policy, as well as basis for incomes calculation and of other statistic indicators.

The administration accountancy supplies the accounting information which is quantified, processed and transmitted with a view to using it by the management of the economic entity. Among the main objectives of this component of accountancy we can distinguish: analytical calculation of costs and results, internal budgeting of economic activity; administration control regarding the pre-established costs and deviations from these costs.

According to the accountancy law, at the level of an economic entity the accountancy is organized and managed, as a rule, in distinctive departments, managed by the economic director, chief accountant or other person authorized to fulfil this position. These persons must have superior economic studies. The accountancy can be organized and managed also on basis of service granting contracts in the field of accountancy, concluded with physical and/or juridical persons, members of the Chartered Accountants and the Authorized Accountants Body of Romania (CECCAR).

The accountancy subject of study is represented by the economic entity patrimony. Patrimony can be defined as being the assembly of rights and liabilities with economic contents that belong to an entity.

The accountancy theoretical, scientific and practical limits are extremely complex both under the aspect of economic phenomena covering and of their analysis. The accounting system of any economic entity is subject to some accounting rules, principles or methods, these resulting from the accounting-financial practice. The importance of the valuation rules (valuation at entry, valuation at inventory, valuation at balance or valuation at exit) or accounting principles is unquestionable.

The accountancy objective of an economic entity is the one of supplying financial situations (documents of synthesis) that offers a precise image of the patrimony, financial state and of the result with the aim to supply useful information to the assembly of users, when these take economic decisions.

3. The role of the Annual Financial Situations

In Romania the annual financial situations include five or three components according to the fulfilment or not of some conditions foreseen in the Order of Public Minister of Finances number 3.055/2009 (conditions concerning at the turnover, total assets, number of employees). In the extended form the five components are: balance, loss and profit account, position of proper capital modifications, position of treasury flows and explanatory notes.

The annual financial position presents the following qualitative characteristics:

- intelligibility. An essential quality of the information supplied by the annual financial position is that of being easy to understand for users;
- relevance. Information are relevant when influence the economic decisions of users, helping them to estimate the past, present or future events, to confirm or to correct the previous valuations;
- credibility. Information is credible when this does not include significant errors, this is not partial and users can trust that it represents correctly what they proposed to represent or what it is expected, reasonably, to represent. Information must represent faithfully transactions and other events, it must be neutral, that is, deprived of any influences;
- comparability. In order to identify the tendencies in the financial position and the performances of an economic entity, users must compare during the time the information supplied by the financial positions. An important consequence of the information quality of being comparable is that users be informed about the accounting policies used in financial positions elaboration and about any modification of these policies, as well as about the effects of such modifications.

Information is considered as being relevant and credible when:

- information is operative for the decisions taken by users;
- benefits that result after receiving the information exceed its cost;
- it is established a balance between the qualitative characteristics of financial information.

4. The role of the accounting at the level of economic entities

One of the accounting principles that define the importance of accountancy at the level of economic entity and, by extension, at the level of the whole Romanian economy is the principle of prudence. Prudence is the reasonable estimation of the facts so that to be avoided the risk of transfer upon future, of present uncertainties, liable to entail patrimony and the results of economic entity. Prudence consists of accounting of any probable loss and in non-accounting or the expected profits, even if these are very probable. Thus, according to the prudence profit is allowed the overestimation of the elements of assets and of incomes, respectively underestimation of the elements of liabilities and of expenses, taking into account the depreciations, risks and possible losses by the development of the present or previous exercise activity.

Accountancy appeared from the necessity of answering in informational and decisional plan at the problematic of administration of the economic values at the level of an entity. The economic entity represents the sphere of action in which the accountancy takes complete forms, of supervision and control of resources, expenses and results.

One of the informational interests honoured by accountancy is the fiscal one. The problem of conciliation between accountancy, as representative of the economic entity interest, and the fiscal interest, as representative of the state, has always risen. Accountancy cannot be parted from taxation. The fiscal provisions must be observed totally, and the amounts representing taxes, fees or shares at different social funds must be correctly established, correctly registered in accountancy, declared at the fiscal competent bodies and afterwards paid.

On world plan, as a result of the increase of the volume of the operations made by the Romanian entities with the foreign countries or as a result of the increase of the volume of economic operations between different countries they are continuously trying the accountancy modernization, being aimed the following objectives:

- improvement of accountancy organizing and managing in different countries;
- better understanding of accounting information and their control;
- comparison of accounting information in time and space.

All these as a result of:

- needs of economic information of the entities that form the economy of each country;
- specific or different sectors of activity;
- doctrinal evolutions of the accounting theory on national and international plan (Iacob Petru Pântea, coord., 1995).

At the level of economic entities are organized structures of internal control. Thus were formed commissions of censors and/or commissions of internal audit.

Commission of censors and/or commission of internal audit assure the verification of the legality of economic operations at the level of a patrimonial entity, as well as the observance of any provisions, norms, accounting rules. The

fundamental element of the control in this case is represented by the accounting system, the mode in which this answers better the needs of the economic entities managing.

The external audit, the examination by an independent and competent person of the fidelity of the financial and accounting representations, leads to probity and credibility of the economic transactions.

The accounting-financial audit stands for:

- an independent examination of annual financial positions;
- a contribution of credibility of the information presented in the annual financial positions;
- a critical review of estimation of some determined financial positions;
- a research or methodology applied exclusively by the professionals in audit, members of Chamber of Financial Auditors of Romania.

By executing an internal control of a faultless quality and of external audit, whose result is the expression of an opinion without concerning the annual financial positions of an economic entity, is assured a growth of the information credibility so necessary to different categories of users with beneficial effects in chain.

With a view to the increase of the economic entity performances is imposed the existence of a system of internal control that includes the following:

- a plan of organizing that foresees a separation of different close functions and of proper responsibility;
- a system of authorized procedures and well adopted registrations, for supplying a reasonable accounting control upon assets, commitment, production.

Sound and tried methods are to be followed for achievement of different functions by each service foreseen in organization of an economic entity (Mircea Boulescu, Marcel Ghiță, 1999).

The professional accountants watch and act by their quality services, offered to the economic entities, to satisfy the market and the business environment exactingnesses and the public interest.

As part of the accountancy are promoted international practices at high level, that regulate the activities and the behaviour of the professional accountants or develop and consolidate the accounting profession with the aim to serve the public interest.

With the aim of development of the economic entities as part of the Congress of Accounting Profession, from Romania, whose works developed at Bucharest, in September 2010 were drawn some ideas, such as:

- more stressed use of the values specific to the systems of accountancy based on prudence and on preventive actions;
- increasing the role of the accounting profession in achievement of financial reforms from the public sector, in supporting the government for reporting of some high quality information;

- insurance for small and medium industrial units (IMM) of a real and efficient market on the measure of their place in the world economy;
- elimination of the tendencies of politicization and of nationalization of some activities of the accounting profession;
- undertaking of some actions for extension of ethical principles elaboration and application in all component segments of the accounting profession and in all the fields of activity of the professional accountants;
- raising of the accounting-financial information and of fiscal statements by offering services integrate to economic entities;
- orientation of the middle and university economic education on modern coordinates, with a view to preparing and perfecting the specialists from the field of accountancy;
- increase of the expert accountant contribution to the society use, on the line of fraud and evasion control, in the direction of defence of economic interests in front of any abuses, especially bound to fiscal legislation interpretation (*Declaration of the Congress of Accounting Profession in Romania, 2010*).

The quality of accounting information is extremely important in the activity of planning, decision and control. Also extremely important is the role of the professional accountant in „modern industrial units, as to it are entrusted for leading and harmonizing the numbers regarding the movement of an industrial unit, the means and resources, that, ordered on certain categories, by a well-established scheme, and can demonstrate at a certain moment the position – however complex – of an industrial unit (Toma Marin, 1993).

In time, the role of accountancy has advanced from the technique of registration to means of control and proof element. In the accounting activity an important role belongs to the accounting deontology. This stands for the assembly of rules and usages that regulate the relations between the professional accountant, the one who produces the accounting information and its user. The professional behaviour is characterized by:

- integrity;
- objectiveness;
- independence;
- professional secret.

Accountancy has not risen, and especially, has not advanced, but in the conditions in which the rareness of the resources imposed an efficiency greater and greater of their assignment with the view to satisfy the human beings alternative necessities of information with a view to taking the best decision or as has been inferred over five hundred years, at least for evaluating the impact of taking decisions. The accounts are only a written expression of the business order that the economic entity has, its leader knowing exactly if the business goes well or badly (Mihailciuc Camelia, 2006).

The information supplied by accountancy has a special impact upon the economic, political or social sides of the country. The existence of a rigorous accountancy leads to the efficient engagement of resources which an economic entity owns as well to the increase of the entity credible aspect in the concurrence economic environment in which it develops its activity.

Thus the accountancy by prudence, order and rigour, leads the economic entity to a continuous development.

The professional accountants are connected at the economic reality details, being conscious about its evolution consequences in social, institutional plan and upon the people. The essential attributes of the accountancy are represented by the correct reflection of the financial-economic reality and its social effects. Owing to its importance one can affirm that the accounting science stands for an international business language (www.imm.romania.ro).

The fundamental premises of the trust in the business developed by the economic entities is the increase of quality and financial transparency, of the activity of accountancy and audit. As the resources are diminishing, and the needs grow, the role of accountancy also grows. An entity has as main objectives the profit achievement, activity continuity, the right of property and control upon some higher economic resources.

On the conditions of international economic crisis the importance of the internal control, component of accountancy, on the line of infringements, shortcomings and deficiency prevention, grows continuously.

According to the Order of Minister of Public Finances number 3055/2009 for approval of the accounting Settlements corresponding to the European directives, the internal control has as objectives the assurance of:

- conformation of operations with the legislation in force;
- application of decisions taken by the entity leadership;
- good functioning of entity internal activity;
- efficient use of resources;
- reliability of accounting and financial information;
- increase of economic entities operations efficiency.

Like the internal control, the accounting control is based upon a system that must contain elaboration and application of the policies and proceedings in the field, as well as of the supervision and control system.

As we sustained in this work the role of accountancy consists more and more in offering to the users some information that allow them to take decisions that they consider necessary. On present conditions, characterized by economic crisis persistence, the role of keeping accountancy at the exact value must not be neglected. Accountancy at the exact value is appreciated by investors, being considered the best manner of financial instruments valuation. However, it is imposed the improvement of accounting regulations in this field and elaboration of some new supplementary recommendations. The level of transparency and comparableness of the accounting information is not touched by simple application of the accounting standards, but supposes explanation in details and explicitness as much as possible, of the information supplied by the annual financial situations, drawn by any economic entity.

The fact of making optimum any economic activity imposes a more precise knowledge of all the economic processes and phenomena from a country.

The criterion of accountancy performance constitutes the devoted image, the measure in which this renders the objective reality, by a complete and pertinent information upon economic facts and processes, expressed in monetary standard (Horomnea Emil, Rusu Georgiana-Alexandra, 2009).

According to the French concept, the devoted image is given by the sum of the elements representing sincerity and regularity.

Sincerity supposes application with good faith and professionalism of the accounting standards and proceedings, depending on the knowledge that accountants normally must have upon economic reality and condition of the market.

Regularity supposes that any information regarding the financial state of the patrimony and of results is obtained by observing the rules and proceedings in force, starting from the basic principle. Conformity with rules means strict observance of the provisions imposed by laws, regulations and usages.

In the last period, in Romania, it was stressed a more and more marked accent on small and medium practices (SMPs), these having an extremely important role in supplying accounting services and business consulting for the small and medium enterprises (SMEs). SMEs constitute the overwhelming majority of enterprises from the private sector of developed and in course of development economies.

The small and medium industrial units are represented by:

- economic entities that have a number of employees smaller than 250 (1-9 for microenterprises; 10-49 for small enterprises; 50-249 for medium enterprises);
- economic entities have an annual business figure that does not exceed 50 million euro and/or an annual balance that does not exceed the sum of 43 million euro.

5. Conclusions

The motivation and the causes of accounting professionals use as business consultants by IMMs are based on:

- professional accountants competence;
- trust generated by the professional accountants;
- professional accountants capacity to react upon the frequent legislative changes.

The most important factors that characterize the business environment, in permanent change are:

- accounting sector consolidation, following the concentration increase upon merging, purchasing and decline of the practitioners in unique partnership;
- increase of services supplying by the great practices and of the second level for SMEs;
- change of the regulation environment in which acts SMEs, registering a certain degree of relaxation in need of financial statutory audits and an increase of conformity afferent to this;

- change of SMEs nature (*The role of small and medium practices in supplying of business consulting for small and medium enterprises*, a booklet edited by CECCAR and IFAC April 2010).

Taking into account the matters emphasized in this work it is considered that the role of accountancy in Romanian economy evolution is essential, both in the period of economic increase, and especially in the period of economic crisis.

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