

ACCOUNTING PROCEDURES BETWEEN NECESSITY AND OBLIGATION FOR QUALITY ASSURANCE IN ACCOUNTING

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Abstract: *Quality assurance in Accounting is a subject always topical. Whether we are talking about the accounting principles, quality features, manual of accounting policies or procedures, each of them contributes to quality assurance in accounting. Based on these aspects, the paper captures aspects of accounting procedures as a prerequisite for quality assurance in accounting. We captured both theoretical aspects based on the revision of regulations in force and especially opinions of managers / directors of companies in the Centre Region on the need or obligation to draft and implement the procedures. Given that accounting procedures are not mandatory by regulations, being required from companies or offices of auditors, the research noted that this is “realized” and in the companies surveyed, most respondents stated that they have no such procedures. Company’s category and organization of accounting have a direct influence on the development and implementation of specific procedures, the existence being observed especially in large companies and in those which internalize accounting. The majority’s view of the benefits brought by specific procedures to increase the usefulness of accounting information in the company’s management is neutral.*

Keywords: accounting procedures, quality, accounting

1 Literature review

When can we speak of quality in accounting? We believe that first of all complying with the principles of accounting is a prerequisite for quality. We then mention the qualitative characteristics of accounting information: fundamental (relevance, accurate representation) and amplifying (comparability, verifiability, opportunity, intelligibility). Are they sufficient? We could say that this depends primarily on the skills of each director / manager to manage the entity’s activity. However, legislators have considered that only the above mentioned elements are not enough. Thus, by Order 3055/2009 (now abrogated) [1] and subsequently by Order 1802/2014 [2] there was introduced the compulsory existence of an accounting

policy manual.

Quality assurance in accounting does not imply only a manual of accounting policies, regulated by Order 1802/2014, but also by other normative acts, but it is also necessary to elaborate specific procedures. The obligation of accounting procedures appears from Order 1802/2014, where, at art. 61, it is stated that: “the entity’s managers must approve accounting policies for the operations carried out, *including own procedures for cases provided by law.*” Furthermore, in the same order it is specified that, by the internal control conducted in terms of accounting rules, there should be considered, among others, “the existence of a procedure to implement the manual of accounting policies and the definition of procedures for the preparation

of the financial statements, whether individual or consolidated.” Given the above, two mandatory procedures can be distinguished, namely the Implementation procedure of accounting policies’ manual and the Procedure for drawing up financial statements.

Further analysing the regulations, art. 83 of OMPF 1802/2014 states that “*in order to make the inventory, the entity’s management must establish their own procedures.*” A new obligation thus appears which has as effect the development of an Inventory Procedure.

By Order 2634/2015 [3], it is stated that “the accounting and financial documents’ flow and number of copies are determined by own procedures ...” Thus, another obligation of the entity derives from this provision, namely the formulation of a Procedure concerning the preparation / use / flow of accounting and financial documents.

Following the above analysis, we note that by entities’ specific regulations are required to elaborate specific accounting procedures. But are these procedures necessary? In our opinion, we believe that they prove their usefulness and spread positive effects on the entity’s management, relationships with third parties and not only, provided that they are compiled responsibly and respected. Moreover, the literature states that *the accounting procedures* “are instruments of a competitive management, methods and techniques to determine whether the operational and reporting objectives are achieved, if risks that may occur are identified and eliminated” [4].

An eloquent example with indisputable effects on the management and on the exploitation of accounting information can be a procedure to prevent irregularities and fraud or the procedure for reporting the accounting information. Each gives users the assurance that the accounting information is compliant, meets quality standards and may help in the management process by eliminating certain

limitations related to the risk of information content.

In general, *accounting procedures may concern*: accounting generalities, preparation of supporting documents, managing assets, cash, calculation and recording of salaries, procurement management, debt management by providers, financial statements, inventory, changes in accounting policies, fraud prevention, reporting accounting information etc.

2. Research methodology

Our goal is to simulate, as closely as possible, the usual appearance of typeset papers in a technical journal. To support the theoretical aspects and respond the theme of this paper, we conducted *a survey-type quantitative selective research*. We note that this part of the research is part of a more complex research that was based on a questionnaire consisting of 78 items. The objectives and assumptions made are:

- main objective: ***Q_I*** Analysis on the perception regarding the necessity or obligation to have accounting procedures.

- main hypothesis: ***IP_I*** Most companies do not have specific procedures to organise the accounting system, provide the information and analyse them but they consider them useful to a great extent to capitalize the information and ensure quality in accounting.

- secondary objective: ***Q_{I.I}*** Analysis of the category of companies and the organization of accounting on the development and implementation of specific procedures.

- secondary hypothesis: ***IS_I*** Company’s category and organization of accounting have a direct influence on the development and implementation of specific procedures.

“To collect the information, the direct research method was used, that involved gathering data and information directly from respondents, randomly, using a questionnaire distributed directly to the

manager or the administrators. The survey was *undissimulated (genuine)*, the aim being known from the beginning by the respondents. The population from which the sample was selected is formed of economic entities from industry, trade and services, active in 7 Centre Development Region (Alba, Brasov, Covasna, Harghita, Mures, Sibiu). To establish the sample, the *nonprobability random sampling* was used, using the “snowball” method, provided that on the date of completing the questionnaire, companies had to be active and to have

registered turnover. Of the total questionnaires distributed, 301 were validated” [5].

3. Conclusions of the research

To know the extent to which companies have developed and implemented specific procedures for organizing the accounting system, providing information and their analysis, question v26 was formulated in the questionnaire. The answers are shown in Figure 1.

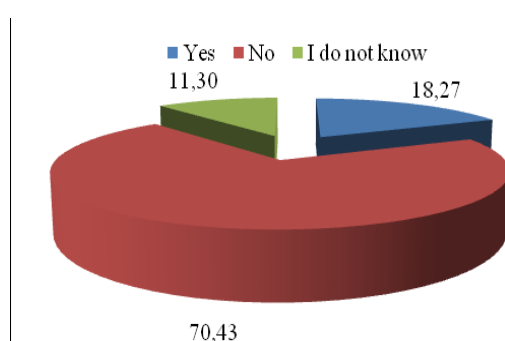


Figure 1: We do have elaborated and implemented specific accounting procedures

Given that certain accounting procedures are mandatory by regulations, being required to companies or offices of auditors, we note that this is not realized in the companies surveyed, most respondents (70.43%) stating that they do not have such procedures, while only 18.27% say they have developed and implemented accounting procedures. We also note the share of 11,30% of respondents who do not provide a concrete answer and say they do not know if they exist. But we tend to think

that for this category the answer is rather “no”.

To deepen the conclusions we have formulated the specific objective **Q_{1.1}** Analysis of the category of companies and the organization of accounting on the development and implementation of specific procedures, whose operationalization was achieved by associating v26 with v2 - Figure 2 and v26 with v10 - Figure 3.

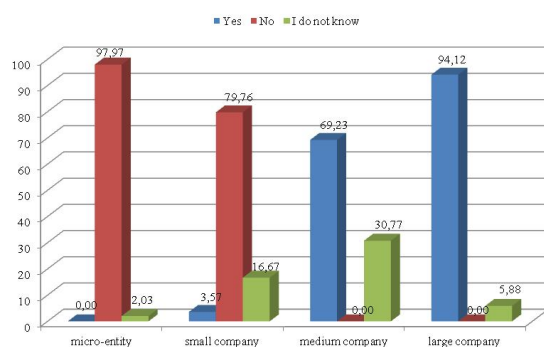


Figure 2: There are procedures, depending on the category

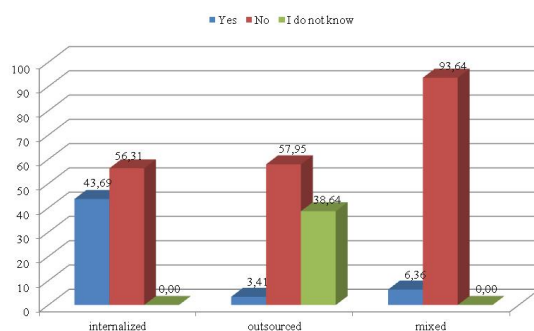


Figure 3: There are procedures, depending on the organization of accounting

The analysis by category shows that 94.12% of the large companies have implemented specific procedures, the share decreasing to 69.23% for medium enterprises. In contrast, both the majority of microenterprises (97.97%) and small companies (79.76%) do not realize the importance of specific procedures and the opportunities they provide for communication with the external environment and internal exploitation of the information, stating that they do not have such instruments.

From the analysis by the organization of accounting, we note that the largest share of companies that internalize the accounting activity (43.69%) apply accounting procedures. For all three methods of accounting organization, most respondents (56.31% - for internalizing

57.95% - outsourcing, 93.64% - for the mixed version) say they do not have specific procedures and all respondents who outsource bookkeeping (38.64%) say they do not know if they exist.

In conclusion, the specific hypothesis **IS₁** – Company's category and the organization of accounting have a direct influence on the development and implementation of specific procedures is confirmed.

To achieve the objective of the research, we aimed to *identify the specific existing accounting procedures in the companies surveyed*. This variable was only dedicated to respondents who chose "yes" in the previous variable. The answers are processed and shown in Table 1.

Table 1: Types of elaborated and implemented specific accounting procedures

Procedure	Valid percentage
Inventory procedure	100,00
Procedure for calculating salaries	70,91
Procedure concerning the preparation and flow of accounting documents	83,64
Auditing procedure	76,36
Procurement procedure	20,00
Procedure for conducting and tracking payments from customers	76,36
Procedure for conducting and tracking payments to suppliers	76,36
Procedure for the preparation of financial statements	50,91
Others	10,91

Processing the data collected shows that they all have developed and implemented a procedure for inventory at a relatively small distance being identified the

existence of a procedure for the establishment and flow of documents. We thus note the existence and implementation of specific regulated procedures.

Are there accounting procedures useful for the management or are they just regarded as an obligation? We tried to find the answer to this question through the operational variable v27 through which we aimed to identify the respondents' opinion

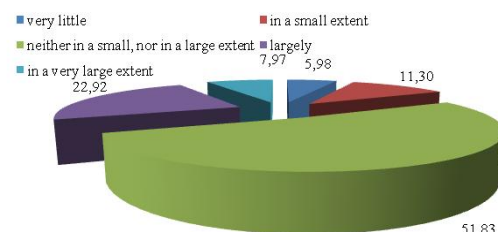


Figure 4: Specific procedures contribute to increasing the usefulness of accounting information

The majority's view regarding the benefits brought by specific procedures for enhancing the usefulness of accounting information in the management of the company is neutral, 51.83% of respondents expressing this opinion. We notice the extremely low percentage (7.97%) of those who believe that such procedures are very useful and even a higher share (22.92%) for those who consider them relevant to a large extent.

We believe that there is a chance that these proceedings can be regarded as technical documents, based on financial accounts and thus their utility is not noticed. But if respondents would imagine a procedure for the recovery of information describing the responsible persons, deadlines, documents upon which capitalization is carried out, ways of capitalizing (tools, methods, techniques used), utility of analyses (minimum amounts, highlighting deviations etc.) maybe the situation would be different. In conclusion, do not regard accounting and the information generated as a sea of meaningless numbers as this information may become clearer and useful if properly harnessed and procedures have no other role

about the usefulness to the management of specific procedures for organizing, analysing and delivering accounting information, the data collected is presented in Figure 4.

than to guide the achievement.

Based on those findings, the hypothesis formulated before the research (IP₁ - Most companies do not have specific procedures for organizing the accounting system, providing information and analysis but they consider that they are largely useful for the capitalization of information in management) is partially confirmed.

4. Final conclusions

Given the obvious differences between the results obtained, we believe that respondents most often regard the accounting information they should generate as rough, analyses being performed mostly by studying balances of customers, suppliers and the inventory. Unfortunately, the accounting information and accounting information system are not connected to the quality management, to its principles. We believe that it is appropriate to reconsider the importance of the existence of accounting procedures since, although they are not binding, they provide order and clarity for processing, analysis, transmission, understanding the information provided by the accounting system.

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