This paper examines the setting up of accounting procedures and policies in sampled SMEs from Bihor, county selected after criteria of size at the end of 2008. In order to conduct our research we have set up a questionnaire of 25 questions which has been applied to 100 SMEs. The obtained results showed that out of the 83 respondents, only 92,68% agree with the provisions of Article 10 of Order 3055/2009, according to which entities must develop their own accounting policies approved by the managers, only 75,60% of the respondents agree that the existence of written accounting policies at the enterprise level improves the quality of financial reporting and managers’ decision making process and a significant number of respondents (21,95%) do not know the fact that during a financial year, a firm’s accounting policies cannot be changed. The most relevant result of our investigative research consist in identifying the need to train the human resources involved in the process of writing and applying accounting policies and procedures in SMEs and the necessity to set up a manual of accounting department.

Key words: accounting policies, financial reporting, disclosure, SMEs

JEL codes: M41, M10, C81

1. Introduction
The latest decades in accounting research have been marked by empirical studies on accounting policies as well as by the reinstatement of the research methodology. Several papers which have been written on the theme of accounting options on the financial markets borrow their analysis frame from the financial theory: they use the efficiency hypotheses of the capital markets and the market model. The provisional character of the accounting information has often been associated to the truths resulting from what is considered to be obvious. Products of an a priori research, the accounting practices and standards lack any empirical validation. According to Casta (1997), at the end of the 60's, a part of the accounting research move away from the normative papers and approach a positive epistemology. Finding their sources in the financial theory, the positive approach has introduced, in the accounting research, a methodological sequence, not known so far, containing the stages regarding the observation of practices, the configuration, the wording of the testing hypotheses, of the empirical tests and their validation. Our research hold forth to initiate a questionnaire based research in order to see the main perceptions of the accountant working in a small or medium sized enterprise, of their utility in providing the faithful image given by the accounting. The central objective of our research is to determine the degree of sensitivity regarding the formulation of written accounting policies by the Bihor county SMEs and the setting up of a manual of accounting policies and procedures at a certain entity level. We used directly applied questionnaires, on selected SMEs. Within each firm, we wanted to ask a person from the accounting department or from the management team to fill the questionnaire. Almost in all the cases the respondents belong to the accounting department, in
most of the cases being the chief accountant or the firm’s economic director. The structuring of
the questionnaire was made on 3 essential levels: 1. general information about the respondent; 2.
questions testing the managers or the accountants’ perception on the enterprise accounting
policies; 3. personal data about the respondent. In total, the questionnaire had 25 questions out of
which 19 open questions and 6 mixed questions. Of the 25 questions, 18 require answers from a
scale from one to five, varying between strongly agree (5) to strongly disagree (1).

2. Explanatory grounds and literature review

Virtually, the accounting policy represents options regarding the specific principles, the
evaluation stages, the rules and the procedures adopted for the setting up and presentation of the
financial statements. As it results from the IAS 1 "Presentation of Financial Statements", the
accounting policy represents the assembly of principles, conventions, rules and methods adopted
at a national level or at the level of the accounting entities for the accounting recording and for
the setting up of the financial statements. To the extent to which these elements become
imperatively applied norms by the legal texts, the accounting policy is reported and subordinated
to the normative regulation system. Nationally, actually, the accounting policy is set up by the
regulator and at enterprise level, the policy is set up and assumed by the enterprise managers.
When there are no specific requirements, the management of the entity must adopt policies able
to provide information through the financial statements, and the information should be: relevant
for the users’ needs in making decisions and credible. Lacking an explicit standard or regulation
and an interpretation, the management of the enterprise will use the professional judgment in
order to develop an accounting policy leading to the most useful information for the recipients of
financial information.

Several researchers (Hagerman and Zmijewski, 1979; Zmijewski and Hagerman, 1981; Francis,
1987; Leftwich, 1981; Gopalakrishnan, 1994) have been trying to explain the motivation of the
managers in choosing the accounting methods and why the capital market reacts to the
accounting changes imposed. In the literature regarding accounting policies, the researchers have
used the following perspectives in order to identify the determinants of the accounting policies:
the opportunistic behaviour, the efficient contacting and the perspective of the information. It is
known that “long-term debts” and “political vision” are important determinants of the accounting
policies. Two hypotheses have been extensively tested in the choice literature in relation to the
accounting policy. They are: debt/equity hypothesis: the larger a firm’s debt/equity ratio, the
more likely the firm’s manager is to select accounting procedures that shift reported earnings
from future periods to the current period; size hypothesis (or the political cost hypothesis): the
larger the firm, the more likely the manager is to choose accounting procedures that defer
reported earnings from current to future periods.

On the other hand, in other studies (Tarca, 2002; Gernon and Meek, 2001; Saudagaran, 2001;
Schipper, 1999; Nobes, 2000) the impact of international harmonisation pressures on companies’
choices of accounting policies is investigated. Demands for greater comparability in reporting
have arisen from increased international business activities and greater participation in global
financial markets. Companies may seek more harmony in their reporting if they expect greater
comparability to have more benefits than costs. If a company selected policies that were
consistent with IFRS, then it would increase comparability of reporting with other companies
using IFRS. An interesting research in presented in Gietzman and Trombetta (2003) study
regarding disclosure interactions: accounting policy choice and voluntary disclosure effects on
the cost of capital. In their research the authors considered how disclosure of accounting policy
interacts with subsequent choice over voluntary disclosure of a non-financial performance metric.
Their model the case that accounting policy choice influences voluntary disclosure is dependent
upon a complex mix of firm and environmental factors. The central contribution of this research,
like the authors underline, is to make precise a formal setting in which accounting policy choice
has significant signalling value and moreover where the signalling value dominates the value of increased voluntary disclosure when accounting policies are chosen or mandated to be uniform. Other previous research works (Myers and Majluf, 1985; Healy and Palepu, 2001; Lang and Lundholm, 2000; Paprocki and Stone, 2004; Levine and Smith, 2006) build their study on investigating or examining choices of critical accounting policies, testing whether the quality of critical accounting policy disclosures is significantly associated with a proxy for information asymmetry. Critical accounting policies are the three, four or five policies that are very important to the portrayal of the company’s financial condition and results and that require management’s most difficult, subjective or complex judgments often because they require estimates about the effect of matters that are inherently uncertain. Such disclosures are intended to reduce information asymmetry.

Domestic accounting literature is mainly preoccupied with the conceptual aspects of the accounting policies and the analysis of the motivations leading to the selection of a certain policy by the management of enterprise. Authors like Duţescu (2003), Feleagă and Malciu (2002), Cernuşca (2004), Diaconu (2004), Bunea (2006) are preoccupied in their research with the meanings of defining the concept of accounting policies as well as with the essential estimation criteria of accounting choices. Thus, according to Bunea (2006), if we make a review of the opinions regarding the content of the concept of accounting policies, in order to identify its nucleus, we will notice that it does exist and it is made up of an objective – restriction, represented by getting in the financial statements a superior quality piece of information, useful to different categories of users, but also from the estimation policies binomial – drafting and presentation policies of financial statements. Feleagă and Malciu (2002) are more incisive when referring to the delineation between the accounting policies and the estimation techniques: “actually different accounting policies represent the same set of events in different ways or different aspects of the same set of events; on the contrary, the estimation techniques are used to get to the events that must be presented.” And Cernuşca (2004) considers that the accounting policy requires licit and concerted actions supported by the research of the objectives suggested by the managers of the enterprise, but it can also be the expression of some implicit accounting options. The enterprise management, through the accounting policy it draws up, sets up certain objectives regarding the size of the result. The accounting policy chosen by the enterprise management has consequences on the determination of the size of the result, represent a true decision of strategic management.

3. Methodology and research design
The methodology used in the current paper is the human behaviour research methodology, whose methods are the interview, the questionnaire, the survey, the laboratory studies, the experiments etc. Regarding the investigation of the perception of the Bihor county SMEs Romanian accountants on the necessity to set up written accounting policies at the enterprise level, we used a questionnaire based survey. Thus, the empirical research was based on a pilot study constituted on a questionnaire applied in the territory. We wanted in this way to take the pulse of the population studied which is constituted of Bihor county SMEs, sampled according to size criteria: the net turnover reported at the end of 2008 financial year and the average number of employees reported at the end of the same period.

In order to understand the economic environment in which these firms operate, we will proceed by doing a short description of the position of Bihor county within the North-West region from the point of view of the activity and the main economic indicators of the SMEs in this region. The North-West region contains 6 counties: Bihor, Bistriţa - Năsăud, Cluj, Maramureş, Satu Mare and Sălaj. The number of active SMEs in this region is of 88,168 approximately 14,30% of the entire SMEs sector. If the weight has remained constant compared to 2001, the absolute number has increased with + 39%. In the North-West region, the highest weight in the firm volume is held by
Cluj county with a percentage of 34,70%, followed by Bihor county with a percentage of 25,30%. According to the value volume of the turnover, the region produces almost 11% of the national volume produced by the SMEs, and from the point of view of the SME’s profits, the North-West region has 9,50% of the total national mass. In the North-West region, Cluj has 43,50%, followed by Bihor which covers 21% of the total profit of the region (Nicolescu, 2009: 168).

From the point of view of (gross) profit’s average value on the enterprise the average value is of 45,40 thousand lei on enterprise, the most profitable proving to be the enterprises in Satu Mare and Cluj, Bihor county being the fourth in this classification, with a value of 38,11 thousand lei/enterprise. Both at the average county level as well as at the regional level, the SMEs in this region prove to be less profitable compared to the national average. The equity ownership proves to be relatively well capitalized, because the rate of the equity ownership quotation the equity ownership established as a ratio between the turnover and the equity ownership is superior to some regions such as the Central and the Western parts or to the national average (348,60%). At one year level, the number of rotations was higher in Bihor and Sălaj, but more reduced in Bistrița-Năsăud (3,7 times). Compared to the previous year, the rotation speed was reduced from 448,10% to 398,80%. Regarding the rate of the commercial profitability, the North-West region, with 6,91%, is situated below the national average level (7,25%), just like in the case of labour productivity, the rate of employment charges indicates a higher intensity of the payroll expenses in the North-West compared to the national average (99,60% compared to 113,70%).

The central objective of our research is to determine the degree of sensitivity regarding the formulation of written accounting policies by the Bihor county SMEs and the setting up of a manual of accounting policies and procedures at the level of an entity. Within each firm, we wanted to ask a person from the accounting department or from the management team to fill the questionnaire. Almost in all the cases the respondents belong to the accounting department, in most of the cases being the chief accountant or the firm’s economic director. It is important to emphasize the fact that in our research we have used the aleatory sampling procedure. The structuring of the questionnaire was made on 3 essential levels: 1) general information about the respondent; 2) questions testing the managers or the accountants’ perception on the enterprise accounting policies; 3) personal data about the respondent.

4. Descriptive statistics and results

Out of the 17 enterprises which have not filled in our questionnaire, 7 have been found in a difficult financial situation, meaning insolvency and 10 enterprises expressed their clear intention not to fill in the questionnaire. Out of the total of 83 questionnaires processed, in a number of 80, the general information section was filled in, but only 77 mentioned the name of the entity where the subjects work as well. We consider that is worth mentioning that out of the total of the answers received, a number of 65 subjects have declared that they have more than 5 year experience in making financial statements, these having a weight of more than 85% of the total of the sample, the rest having 1 to 5 year experience. Out of the 83 people interviewed, 66% were females and the distribution on age groups was the following: 41% were between 25 and 34 years old, 39% between 35 and 44 years old and the rest – over 45 years old. Regarding the subjects’ professional qualification, the distribution of the sample showed that 44% of respondents are chartered accountants that have also economic college education, 7% of respondents are certified accountants with college education and 5% have economic average education.

The most interesting results have been obtained after processing the answers received at the second section of the questionnaire. Out of the 22 questions, 16 followed the acknowledgement of the provisions in the field of accounting policies of Order 3055/2009, 3 questions had in view the existence of accounting policies written at the entity level as well as their importance and 3 questions investigated the subjects regarding the training of human resources involved in drawing
up personalised accounting policies at the enterprise level. By processing the answers of this section, we have followed on one hand to get an as faithful as possible image of the situation at the SMEs’ level in Oradea and Bihor county, and also to analyze to what extent our hypotheses were confirmed by the empirical data.

To appreciate the degree of familiarity with the concept of accounting policy, in the questionnaire we have included questions referring to the defining of the accounting policy, the structuring of the accounting policies, the defining of the general and specific accounting policies, respectively, afferent to financial reporting. Regarding the definition of accounting policy, the respondents, by choosing the answers, have proved that they master this notion (43,90% - strongly agree and 56,10% - agree), unfortunately, in what the structuring of the accounting policies concerns, a quite important part of the respondents is not familiar with the two categories of accounting policies (7,32%) or does not know the content of the two types of accounting policies – general and specific (2,44%). Figure 1 presents, synthetically, the percentages of the correct, vague or totally incorrect answers, afferent to the aspects mentioned above. We noticed that the highest deficiencies are associated with the structuring of accounting policies into general respectively specific accounting policies.

**Figure 1. Defining and understanding the notion of accounting policy in the sample**

The following questions followed the assuming of own accounting policies. Out of the 83 respondents, only 92,68% agree with the provisions of Order 3055/2009, according to which the entities must develop their own accounting policies, approved by the managers or the people in charge with that particular entity’s management. On the other hand, the highest percentage of them believe that the entity’s management should adopt policies ensuring the providing of information in financial statements, relevant for the needs of users in making decisions which are credible at the same time.

According to Order 3055/2009, information presented in the financial statement of an entity, in order to be credible, must be faithfully represent the financial results and position of entity, reflect the economic substance of events and transactions and not only the juridical form, be neutral, prudent and complete considering all the significant aspects. A significant percentage of
92.69% of the sample considered that they agree with this statement. Only 75.60% of the respondents consider that the existence of written company accounting policies is improving the quality of financial reporting and managers and other information users’ making decision process.

According to Order 3055/2009, the general accounting policy, must be notified in the explanatory notes of the financial statements, section: Accounting Policies and Methods. In spite of all these, in the sample, almost half (48.78%) of the respondents do not totally agree with the legislative provisions. The dispersion of the answers is higher than in the case of the question referring to the change of accounting policies. For example, even though the majority of respondents (82.92%) think that the implementation of a new accounting policy can be done only starting with the financial year following the one when the change took place, a significant percentage of them think differently.

During a financial year, a firm’s accounting policies cannot be changed, yet, just like in the case of the previous question, a significant percentage of the respondents (21.95%) are not aware of this provision of Order 3055/2009. The changes in accounting policies can be done at the entity’s initiative, in this case this has to be justified in the explanatory notes of the annual financial statements but they can be determined also by a change in the regulation, case in which the justification is not compulsory, being only mentioned in the explanatory notes. 19.51% of the respondents in our sample do not know this provision. Regarding the reasons for the change in the accounting policies, Order 3055/2009 has explicit provisions. In spite of all these, as presented in Table 1, a significant part of the respondents, between 12.19% and 53.66% gave wrong or vague answers to questions.

### Table 1. The distribution of the answers regarding the change in the accounting policies in the sample

<table>
<thead>
<tr>
<th>The change in the accounting policies is justified in the following situations:</th>
<th>Correct</th>
<th>Vague</th>
<th>Incorrect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional changes occurred in the entity’s statement or in the economic-financial context in which it develops its activity and/or by the getting of some credible and more relevant information</td>
<td>87.81%</td>
<td>9.76%</td>
<td>2.43%</td>
<td>100%</td>
</tr>
<tr>
<td>The change of the shareholders due to joining a group of firms when providing more secret information</td>
<td>82.93%</td>
<td>12.2%</td>
<td>4.87%</td>
<td>100%</td>
</tr>
<tr>
<td>The mergers and other similar operations made at accounting values</td>
<td>70.73%</td>
<td>17.07%</td>
<td>12.2%</td>
<td>100%</td>
</tr>
<tr>
<td>The changes in the applied estimate basis</td>
<td>46.34%</td>
<td>34.15%</td>
<td>19.51%</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Source: authors’ calculus)

According to the provisions of the same normative act, the change of the entity’s managers does not justify the change in the accounting policies. In spite of all these, a significant percentage (17.07%) of those interviewed does not know it or disagree with it. Attempting a synthesis of the degree of perception of the provisions of Order 3055/2009, we have grouped the first 16 questions of the questionnaire on essential aspects, as it can be seen in the table below. Each essential aspect has been associated with an average percentage, determined as
a simple arithmetic mean of the answers in each category. The highest percentage of the correct answers, 96.95% is associated to the defining of the concept of accounting policy, at the opposite pole being, as we have mentioned previously, the familiarity with the legal regulations regarding the change in accounting policies.

Table 2. The degree of perception of the provisions of Order 3055/2009 regarding the enterprise accounting policies in the sample

<table>
<thead>
<tr>
<th>The nature of the problem investigated</th>
<th>Answers (simple average percentages)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>correct</td>
</tr>
<tr>
<td>Defining the concept of accounting policy</td>
<td>96.95%</td>
</tr>
<tr>
<td>Assuming own accounting policies</td>
<td>96.35%</td>
</tr>
<tr>
<td>The utility of accounting information</td>
<td>84.14%</td>
</tr>
<tr>
<td>Communication of accounting policies used in order to draw up the financial statements</td>
<td>85.36%</td>
</tr>
<tr>
<td>Change in accounting policies</td>
<td>76.52%</td>
</tr>
</tbody>
</table>

(Source: authors’ calculus)

We have considered as correct the answers “Strongly agree” and “Agree”, those vague are those answered with “Neither agree nor disagree” and the wrong answers had the answers “Disagree” and “Strongly disagree”. The subjects from our sample had relatively divergent opinions regarding the people in charge with making the accounting policies at the firm level. The distribution of the answers revealed that 36% of respondents consider that a group of professional specialists appointed by the firm’s management should be in charge with the writing and improving the accounting policies and procedures, 27% of respondents consider that the manager and a group of professional specialists would be much appropriate and 22% are of opinion that the economic executive or the chief accountant, 10% are for the accounting department and finally 5% are for an independent accountant to be responsible for elaborating and improving these policies.

5. Conclusions, limits and further research
As we presented in the previous sections, our study is a questionnaire based research, applied on a sample formed by 100 SMEs from Bihor county, selected using size, annual turnover at the end of 2008 as well as the average number of employees criteria. Only 83 of the applied questionnaires were validated. It is important to note that 65 of the respondents have over 5 years experience in financial reporting, that is over 85% of the sample, the others have an experience of 1 to 5 years, in the meantime, 44% of the respondents have economic higher education and other 44% are chartered accountants.

The most interesting results were obtained from the answers to the questions from the second section of the questionnaire. Out of the 22 questions in this section, 16 were designed to find out whether the respondents are familiar with the accounting regulations from the Order of Ministry of Public Finance no. 3055/2009, 3 questions were related to the existence of written accounting policies for each entity, and another 3 questions investigated the subjects’ opinion with regard to the formation and training of human resources of the personnel involved in the elaboration of specific accounting policies in a firm. In order to obtain a synthesis of the degree of perception of the Order no. 3055/2009, we have grouped the first 16 questions using some essential features – the defining of the accounting policy concept, their assuming at a firm’s level, the utility of
accounting information, the accounting policy disclosure and their modification. We have computed an average weight of the correct and wrong answers for each of these essential features. The highest weight of the correct answers, 96.95% is associated to the defining of the accounting policy concept, on the opposite pole we find, as we mentioned earlier, the knowledge of the legal stipulations regarding the modification of the accounting policies.

Perhaps the most important result of our investigative research on the SMEs from Bihor county sample is the identification of the need of specialists’ formation and training in the development of specific accounting policies, according to the entity’s features, as well as the necessity of specialized assistance in the elaboration of a policy and procedure manual (guide) for the accounting department, which should comprise the specific theoretical framework for the development of strong accounting policies, premise of a believable and comparable financial reports, reflecting the economic substance of events and transactions. The limits of our study are related especially to the elaboration of the questionnaire, the formulation of the questions as well as the choice of the sample. We intend to remove these weaknesses in future researches, that will be focused on the investigation of specific accounting policies used in Bihor county or even North West Romanian SMEs, their presentation in the financial reports and the motivations behind the choose of an accounting policy or method in the detriment of another one.

References