

# THE BEHAVIOUR OF ROMANIAN ACCOUNTANTS FROM TIMIS COUNTY: CREATIVE OR NON-CREATIVE

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**Abstract:** *Creativity and innovation are two very trendy concepts for the current period which is characterized by a very difficult economic context. The creativity and the innovation usually stimulate the competitiveness of economic organizations. But what about creativity in the field of accounting? Are the accountants creative? Is creativity benefit for the quality of accounting information? The aim of our study is to review study the accounting literature and practical experience of Timis county organizations in order to create a picture of Timis county accountants' behaviour. For the achievement of the proposed objectives the authors based their opinion on a research study by questionnaire realized at Timis county level.*

**Keywords:** Financial accounting, creative accounting, management accounting, IFRS

**JEL classification:** M41

## 1. Introduction

Globalization has become the main theme for conferences and seminars debates in the international economic community. It is a key phenomenon of 21 century, affecting about every aspect of our lives, including even economic behaviours and in accounting area. Globalization, which characterizes the economic world, led to the necessity of understanding and comparison of the financial statements of different corporations and also to present the fair view of businesses rather other interests like public interest in taxation.

Romanian accounting developed remarkably in the last twenty tree years, as shown by the flow of accounting literature in this field. This development is mainly the result of EU accession as well as of harmonizing and subsequently converging national, European and international accounting standards.

The globalization increased for sure the competitively of multinational companies and asked for creativity and innovation for all area of activities.

Accounting has always been considered the main language and very tool of business. It has always concerned itself with determining how a business is doing and what the bottom line is. But over the last twenty years, the field of accounting has been changing dramatically in response to such explosive trends as the computer revolution, increased national and international regulations, and frequent tax law changes all over the world, the globalization of business, and the on-going growth through green fields expansions or mergers and acquisitions followed nowadays by downsizing and restructuring of corporations facing economic difficulties. In this increasingly complex and competitive business environment,

accounting skills are very much in demand and accounting has become a dynamic career for many young people.

The accountants have a very important role to prepare, report, and control the financial position and the financial results of all companies who act within the world-wide economy.

This period brings a decrease of world economy, the most affected countries being the poorest one.

Taking into consideration this economic context we try to find out which the behaviour of accountants is and which the evolution in this field is. We know very well that the decrees of economies stimulate companies and individuals to become more and more innovative, more and more creative. By this paper we try to find out if the behaviour of Romanian accountants follows the trend and they become creative.

## **2. Theoretical background**

At international level different accounting patterns of behaviour can be identified which are the outcomes of many years of development influenced by factors such as cultural values, legal systems (even tax regulations), political orientations, and economic development. The challenge now is to adapt what has served well in the past to the new global imperatives of transparency and credibility of accounting in order to facilitate efficient flows of capital to the world's financial markets.

Nowadays creativity is essential to problem solving and requires productivity, unconventionality, and the capacity to build on preceding innovation. Creativity is essential to problem solving of a company and represent a previous step to innovation. Creativity requires unconventionality and the capacity of an economic entity to build on preceding innovation.

At international level an important issue is represented by the professional accountancy work and how much creativity needs. In order to answer to this challenge we have to see before the diverse field of activity where an accountant could work.

Most of accountants seem to be involved in financial accounting, a significant part of them work in taxation and finally a smaller part of accountants are involved in audit and managerial accounting.

Usually financial accounting activities seem to require for more creativity than does taxation and auditing. Speaking about managerial accounting work, this activity require an intermediate level of creativity. Hood and Koberg examined few years ago the relationship among public accounting firm culture and accountants' measured creativity. By this survey they found no relationship between accountants' measured creativity and firm culture, job satisfaction, or turnover intention.

The international literature has infrequently investigated the nature and consequences of creativity in accounting work. Speaking about the accountant's creativity the humanistic psychologist Abraham Maslow (1998) argues that accountants have the smallest vocabulary of any profession, lack creativity, fear change.

*Other important issue is related to the level of creative accounting within Romanian companies from Timis County. It is a tabu subject but creativity for accountants means to try to full fill the financial objectives with the help of accounting standards flexibility.*

Anyway creativity has a bad name within the accounting industry for obvious reasons. Although, apparently, accounting seems to be a straightforward mechanical process which does not involve creativity and imagination, essentially, we can notice that most of the companies use a correction of the result and an adjustment of the statement of account, therefore, being able to elude the existing judicial and accounting rules.

Subject of Creative Accounting is normally portrayed as a malignant and negative act. Creative accounting brings to mind the various huge scandals of yesteryear that took down mighty firms. Creative accounting referring to accounting practices that may follow the letter of standard accounting practices, but it deviates sometime from the spirit of those rules.

Creative accounting, as is known in Europe, or earnings management, as is known in United States, is defined by different ways:

- For Schipper "creative accounting" can be equated with disclosure management, in the sense of a purposeful intervention in the financial reporting process;

- Creative accounting, in Turillo and Teller's opinion represents "an instrument of improving annual accounts, a prop and a result of financial and fiscal engineering", while Trotman (1993) argues that this concept "allows the display of a new favorable image of the results and the statement of account".

- For Merchant and Rockness creative accounting means any action on the part of management which affects reported income and which provides no true economic advantage to the organization and may in.

- Naser said "creative accounting may be defined as: the process of manipulating accounting figures by taking advantage of the loopholes in accounting rules and the choices of measurement and disclosure practices in them to transform financial statements from what they should be, to what preparers would prefer to see reported and the process by which transactions are structured so as to produce the required accounting results rather than reporting transactions in a neutral and consistent way" Park argues that creativity contributes to success in professional accounting. Usually individuals who are seeking to be successful in the diverse world of accounting must be able to use creative problem-solving skills in a consultative process. But this situation is also available also for accountants?

Along Europe the incidence of creative accounting is particularly strong in the United Kingdom compared with the countries of continental Europe such as France, Germany, Spain or Romania where the Roman law tradition applies and accounting rules do not allow the flexibility that enables accountants to make choices that favour them.

In USA the common law tradition is applied as in the UK, but the high risk and cost of litigation have led the accounting profession to formulate agreed, highly detailed procedures that can be justified in court. By contrast, litigation risk is much lower in the UK.

### **3. Research methodology and results**

The object of the current article refers to the presentation of the conceptual delimitations regarding creativity and its application into accounting area by a detailed description of theoretical framework proposed by some authors, as well as the brief review of the literature written on the topic in the last 30 years.

Also, we can see how the specific literature regarding the aspects concerning the magical land of creativity we have decided to shortly review the main aspects approached at the European level regarding the role in the field of accounting. In order to achieve this aim, we analyzed approximately 10 academic articles available in three scientific databases.

Our approach regarding the exploratory research includes three stages:

The first consists in finding the information about creativity and creative accounting in the databases.

The second stage consisted in grouping them on the most frequently approached themes.

The third stage consisted in a survey on 31 big companies from Timis County regarding the creativity and creative accounting within accountants.

In our research, we have used the deductive method concluding some remarks based on the already existing theories, the type of research used being the fundamental one. The utility of such a research contributes to the assurance of the premises for the development of future research.

Regarding the employees involvement in the field of accounting the majority of Timis county companies involve their employees in different financial accounting and reporting activities. On the other hand taxation seem to be not so important for this companies looking at the percentage of employees involved in this field of accounting. This could be a wrong conclusion if we take into account the real situation. The majority of big companies from Timis County use external services in order to cover taxation needs.

Managerial accounting seems to have an increasing role for this period characterized by financial crisis. Mainly the multinational companies are trying to develop the controlling activities and the number of people who are working in this field.

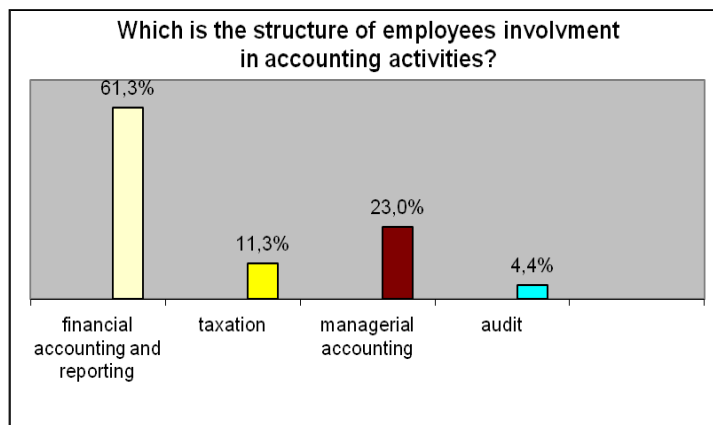


Figure 1 The structure of employees involvement in different accounting activities

For each category of accountants, as graduate of a business university degree, the creativity is quite important in order to catch different kind of accounting study cases.

But the level of creativity for these 4 categories of accountants seems to be very different. Thereby for the professionals involved in financial accounting and financial reporting the level of creativity is very important.

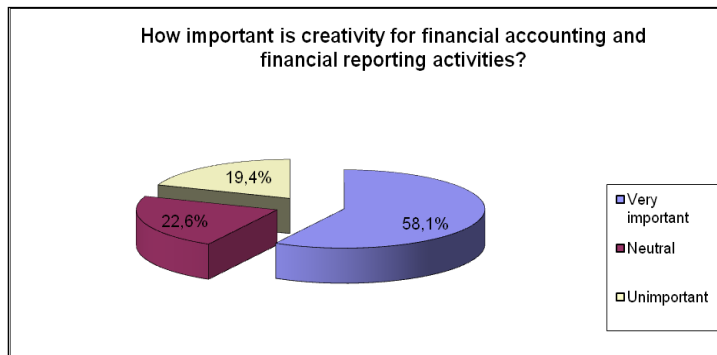


Figure 2 The importance of creativity for financial accounting and financial reporting

The results are very obvious negative in case of controllers and professionals in taxation (less than 15%). The big majority of these categories are considering the creativity is not so important in their activity.

Controllers work is fully dedicated to internal use of the information for controlling different business processes and for management decision making. Therefore, creativity might be required only for the information structure and content presented in order to help the internal users to better understand the facts. The accuracy of information is the key characteristic of their task and the information provided is asked by the business itself giving no much room for interpretations.

For auditors, the creativity seems to be at least as important as for the professionals involved in financial accounting and financial reporting. Almost 61% say creativity and logical is very important for auditors in order to discover creative fraud attempts. Fraudulent financial reporting has become an important concern for the audit profession (especially that the constant audit failures from the past two decades have decreased the public trust in the audit profession) and jumping in the client shoes in order to understand the potential information manipulation became a must. Therefore, creativity of the client has to be mirrored by creativity of the auditor. By thoroughly understanding the client's stakeholders' interests and the interests of the entity itself and identifying the conflict between these parties the auditor can identify the potential areas for creativity.

However, even if this seems to be the natural and much needed development of the audit profession there is a different trend noticed within the audit profession. While the auditors recognize in the answers provided that the creativity is important, instead of applying it in the audit missions performed, they revert to the basic audit procedures that used to be efficient and effective in the early years of audit – substantive tests of details procedures. This trend was borne also by the big failures that proved to be very costly to the audit companies that performed the audit of the respective companies. While the courts that analyzed the audit work performed concluded that the auditors' analysis was subjective and biased, they fined the audit companies with huge amounts. Thus, in order to be able to prove in any court that

the auditor complied with its obligation, they removed from the audit procedures most of the analytical procedures that might be interpreted as biased or subjective. If this trend will continue, the auditors will become document checkers and the probability of risk of failure will increase.

#### 4. Discussions and conclusions

Our research study is an exploratory investigation of some interrelated questions exploring the accountants and their creativity.

Speaking about the accountant's creativity the humanistic psychologist Abraham Maslow (1998) argues that accountants have the smallest vocabulary of any profession, lack creativity, fear change.

But this is an international approach and we can not say that this approach is available also for Romania of nowadays. The accountant's behavior in each country should deal with social norms. As well the cultural characteristics of a country can generate important differences between accountant's decisions/behaviors.

For the Timis county we can see that the creativity is a characteristic of a big part of accountants community, mainly for professional involve in preparation of financial statements. That creativity should be discover by auditors and should be limited by detailed implementing rules.

As well our research is limited by several design and measurement choices. We measured creativity among professional accountants in a single county. The generalizability of our results from county to country level is untested. Similarly, our samples of accountants are nonrandom, which further limits the generalizability of our results.

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