

POLICIES AND ACCOUNTING OPTIONS UNDER PRESENTATION OF AN ACCURATE IMAGE OF ACCOUNTING INFORMATION IN THE ACCOUNTING INFORMATION SYSTEM AT TRADE ENTITIES

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Abstract: Constant modification of the conditions of the market and the fierce competition imposed within the economic entities in general, and those in the trade, in particular, finding more efficient ways for obtaining certain information to capture, on a continuing basis, all relevant aspects of internal processes and the interaction with the external environment; so, using solutions based on information technology in the work of economic entities has evolved over time from option to necessity. At economic entities in general accounting policies applied, for the purposes of the regulations in force, refers to the set of procedures applied by the management of an entity with legal personality for accounting operations undertaken since the preparation of the annual financial reporting and respectively of simplified annual accounts financial situations. In the preparation of accounting policies must take account of the specifics of the technical-economic activities carried out by each entity. Managers must design accounting policies so as to ensure transmission through the financial statements/annual accounts, of data and information which are: relevant, credible, complete and neutral, in all significant aspects. Detailed notes have to explain some phenomena, aspects concerning the operations, respectively the accounting records. Accounting notes are presented systematically for each item in the balance sheet and of the profit and loss account. Considering the fact that concerns about the efficiency of managerial decision and hence, in this context, the improvement of accounting information system are not new, I am also of the opinion that the accounting information system, in general, without being exhaustive, must meet the requirement of the rationalization of the accounting information in order to increase the quality of the decision-making process.

Keywords: accounting policies, accounting notes, accounting options, financial statements, explanatory notes, accounting information system

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1. Generally Introduction:

Considering the definition "*accounting policies represents principles, base, rules and specific practices applied by an entity in the preparation and presentation of financial statements*" (IAS 8, aligned 5), and I am of the same opinion with Herbei (2015:102) and that we can say that accounting policies have an important role on the ballance elements registered, recognized, assessed and reflected in the financial statements. In other words, the position, the financial performance and accounting policies are better reflected at the level of the financial statements.

1.1. The accounting policies and accounting notes at trade entities

Over time, the number of potential users of the financial statements has considerably increased, which led to the pursuit of a pressure from the increasingly powerful on line publication of financial information. Thus, the risk of conflict between administrators and external users exists, and his presence implies the necessity of accounting rules and the audits of the financial statements.

Therefore, we can appreciate Feleagă's assertion correct, quoting Marquès, according to which "*the purpose of accounting is not an uniquely way to pose in an entity's operations memory and into a means of periodical calculating a performance indicator of the economic establishment*" (Feleagă, 1997:106).

According to IAS 1 - *Presentation of financial statements*, the financial statements provide information on the following items:

- assets;
- debts;
- own capital;
- revenue and expenditure;
- other changes in equity;
- treasury cash - flows.

Please note that this information, together with the information contained in the notes, assists users of financial statements with regard to the estimation of future treasury cash flows of the entity.

The information presented in the notes include (OMFP No. 1802/2014, aligned 466):

- the name of the reporting entity;
- the fact that the annual financial statements are its own, and no group;
- the date on which the annual accounts were drawn up;
- currency at the time of the financial statement;
- expressions of the figures included in the reporting.

Directive 2013/34/EU presents information concerning accounting policies as "representing the key elements of the explanatory notes to the financial statements, among them should be the method of evaluation applied to the various items, a statement of compliance of the respective accounting policies to the going-concern principle, and any significant changes to the accounting policies adopted" (Directive 34/2013/EU, art. 1, aligned 24).

Directive take account of better regulation, with the objective of designing and drafting of regulations of the highest quality, which at the same time comply with the principles of subsidiarity and proportionality, and to ensure that administrative tasks are proportionate to the benefits they bring.

In the notes to the annual financial statements, entities must submit, except other mentions, in addition to the information required, information relating to accounting policies adopted. (OMFP No. 1802/2014, aligned 468)

At trade entities also accounting policies must cover all assets, liabilities, equity, income and expenses and to ensure the transmission of relevant, reliable, understandable and comparable information with respect to the entity's financial statements.

1.2. Accounting policies and explanatory notes at trade entities

Once the Romanian accounting system complied with European Accounting Directives, elaboration and substantiation of accounting policies by each entity

becomes an important consideration to ensure the preconditions for obtaining information of accounting and financial statements credible and quality. (Cernușcă, 2012:15)

In another vision, accounting policies mean options arising from certain interests, subject to certain principles, rules and conventions regarding the registration, recognition and evaluation elements described by the accounting, preparation and presentation of financial statements. (Ristea, 2000:19)

To the extent that these rules become imperative, applicable by legal and regulated texts, accounting policy relates and is subject to the regulatory system in this field.

At the same time the author makes a demarcation between the accounting policies and accounting procedures. Thus, if accounting policies are options regarding the principles, assessment bases, conventions, rules and procedures adopted by a specific entity in the preparation and presentation of financial statements, then the methods represent processes or procedures used by the entity in accordance with the rules and accounting policies to produce and deliver reliable information concerning the financial position, financial performance and cash flows of the entity.

Accounting policies provide a framework for selecting which of the assets of an entity of commerce, for instance, are recognized in the financial statements as presented and evaluated; source accounting policies being retrieved in accounting regulations.

At economic entities in general, the existence of the explanatory notes as an integral part of annual accounts appears as a informational necessity. Also at trade entities, in my opinion, the explanations about balance sheet, about the profit and loss account make this structure an important category of financial statements, indispensable to users.

Thus, the explanatory notes represents mainly (Pahone, 2005:123):

- the necessary explanations about understanding the elements of the balance sheet and the profit and loss account, of the rules, the accounting methods used, the commitments reflected in the financial accounts and records, etc.;

- complementary elements in relation to the balance sheet and the profit and loss account, which makes the notes to be a complementary document to the first two annual accounts (e.g. presentation of inventories in gross values, net, reversible and irreversible downs presentation, presentation of fixed assets by groups of fixed assets, detailing of debts and receivables on exigibility, etc.);

- represent deviations from accounting principles which have been taken in the compilation of the balance sheet and the profit and loss account, in order to reflect the true image of the financial situation of the entity's performance (e.g. indication of changes in accounting methods, deviations from an accounting principle, adjustments to information submitted in the previous exercise, etc.).

The economic entities in general, users usually want multiple and diverse information for their needs, which cannot be supplied entirely through balance sheet and profit and loss account. So that at trade entities, the large number of users determine which loan decomposable hierarchies can be satisfied through the balance sheet structures of the revenues, expenditures and results.

I also am of the opinion that the processing of information to be considered in view of the complexity of the problems faced by users of accounting information, definition of new practices and new needs, and for this, as Pahone also said, new

information elements, as explanation of procedures used in the construction of the annual accounts are requested.

Also, at trade entities the notes relating to financial statements include:

1. Fixed assets;
2. Provisions for liabilities and charges;
3. Allocation of profits;
4. Analysis of the result from operations;
5. The situation of the receivables and payables;
6. Principles, policies and accounting methods;
7. Stocks and bonds;
8. Information relating to employees, managers and directors;
9. Example of calculation and analysis of the main economic and financial indicators;
10. Other information.

The Romanian legislation, concerning the notes relating to the financial statements, requires that their content, they must submit the following as follows:

-the main methods chosen for preparation of financial statements, information about accounting policies selected and applied for significant transactions and events;

-information required by International Accounting Standards that are not presented elsewhere in the financial statements;

-additional information that is necessary for a fair presentation.

Thus, as the author says, every item in the balance sheet, profit and loss account and cash-flow situation should refer to the appropriate information from your notes. Accounting policies are set out in the explanatory notes in order to determine the values of items in the balance sheet, the profit or loss of each financial year, the cash flows and equity changes.

To do this, also at trade entities, will be presented in relation to fixed asset, for example, the following:

-if the fixed assets are included in the financial statements at historical cost, at revalued amount, or the amount adjusted for inflation, according to IAS 29;

-specific accounting policies adopted for the proper understanding of the financial statements.

With regard to provisions for risks and expenses, at trade entities also, if during the financial year, an amount is transferred from the provisions for liabilities and expenses, in the explanatory notes shall be presented with the following information regarding the:

-the amount of provisions at the beginning of the financial year;

-the amounts transferred to or from the provisions during the financial year;

-the nature, amount or use any other transfer;

-the amount of provisions at the end of the financial year.

For each item listed in the accounts payables will mention the following:

-the total amount of debts included in this post balance sheet which have terms of payment after 5 years from the date of the closure of the financial year;

-the total amount of debts for which the entity has filed certain guarantees;

-information on the nature of these guarantees lodged.

At trade entities also the changes under accounting policies can be brought about by the adoption of a standard, in which case it should be taken into account in accordance with the provisions of that standard, and where there is a change in

accounting policy with significant effect on the current period, can have significant effects on the future period, and the entity must submit the following:

- the reason for the change;
- the amount of the adjustment for the current period and for the periods presented;
- the adjustments made in prior periods to those included in the comparative information;
- if recalculations were carried out allowing for comparability of information.

In view of the above, the conclusion, Pahone mentions, at economic entities in general, that the notes are a must on the information generated by globalization and the insufficiency of the information provided by the balance sheet and the profit and loss account that does not provide an image closely over the assets, financial position and results of the entity; as a result with this idea, presented above, I also agree and I think that applies unconditionally at trade entities too.

1.3. The policies and accounting options in presentation of an accurate images of accounting information at trade entities

As Radu (2009:91) said, logical approach developed by accounting, presentation of an accurate image of the assets, financial position and financial results, based on a rational thought, a gradual knowledge domain investigated, concepts, tools and processes that allow penetration into the essence of economic phenomena and processes.

Theoretical framework brings together a number of concepts that are considered fundamental to regulatory or accounting systems applied at the level of the entity to have clearly specified the coordinates of the base and are able to achieve cohesion between the objective of financial statements as true and fair view, financial information and policy characteristics and estimation techniques as a form of expression towards the recognition and presentation of financial economic reality.

The author considers, in the defined context of the accounting system applied within the entities in general, that including principles presents not only a crucial premise, as well as real necessity in order to obtain an accurate image of the performance and financial position of the entity.

Modeling of accounting information through concepts, conferring, once "objectivity" for accounting system chosen, and, on the other hand, allows to obtain an accurate image.

The author outlines four fundamental concepts that ensure the objectivity of accounting information as follows:

- accrual accounting;
- business continuity;
- accrual;
- accounting judgement.

Accrual accounting takes into account the fact that the effects of transactions and other events are recognized when transactions and events occur (and not as cash or its equivalent is received or paid) and they are recorded in the financial statements of the periods. Also at trade entities we can say that the financial statements are prepared on the accrual basis of accounting and it provides information about past transactions (supply, sales, payments, receipts, etc.)

respectively upcoming events (prospective incomes, future payments). At the same time the author mentions that also the international normalization referencial specifies that "in order to achieve the objectives, financial statements are prepared in accordance with accrual accounting"; in addition, the majority of regulated accounts, including romanian accountancy, follows the principles of accrual accounting which, in turn, have imposed concepts of accounting assets, liabilities, income, expenditures, debt. However, development of the cash flow situation can be assessed in recognition of the relevance of information on receipts and payments effected during the financial year.

Business continuity means the drafting of the financial statements starting with the presumption that an entity will continue its activity in the foreseeable future, on the assumption that the entity has no intention and no need to liquidate or to significantly reduce its activity. Moreover, as the author said declaration of continuation capacity or of non-continuation of exploitation, is equivalent, in fact, with validation of health status or the insolvency of the entity in question; thus, in the case of continuity, heritage assessment and, including determination of results, are done by taking into account the value of utility assets; and in the case of non-continuation, will resort to other liquidative values.

The concept of independence of the exercises is considering appropriate delimitation of the revenue and expenditure for the financial year covered by reporting without regard to the date of receipt or payment amounts.

Radu (2009:93) says that applying for exercises independence arises several consequences, namely:

- practicing an accrual accounting, which means, as I detailed above, record revenue and receivables/payables/expenses on the occasion of their appearance and not their receipt, respectively payment;

- using regularization accounts: constant expenses in advance and constant revenues in advance;

- debt payable and claims receivable;

- the necessity of calculating depreciation and provisions at the end of each fiscal year;

- the mention in the annex relating to the income and expenditure in previous exercises;

- accounting of events subsequent to the closure of the financial year, but preceding closure of the accounts, which significantly affects the financial position and the results of the exercise;

- highlighting the events subsequent to accounts closure, that have impact on the financial situation.

Professional reasoning is the concept that manages the accounting system construction of an entity, having as theoretical support one of the theoretical frames of reference and regulatory framework of reference of the competent authority and is the expression of the system of judgments, informed, providing relevant and credible information. (Paraschivescu, 2005:69)

Radu asserts that the accounting policies and estimations are under the decisive influence of a variables complex, the applicable situation also at trade entities, in our case, namely: the nature of the entity's property, category of entity, entity size, activity, territorial subdivisions of the dispersion of the entity, the continuity of the supply process, characteristics of the goods, the degree of automation of accounting information treatment, human potential, managers on the management

concept, etc.

In other words, professional reasoning underlies the accounting policy and estimating techniques through which it builds and operates its own accounting system of the entity, its specificity and adequate environmental conditions, for presentation of the financial position with accuracy, performances and modification of financial position of the entity's.

In fact, generally speaking, managers are sitting in front of a truly essential and elemental, at the same time, namely that an accounting system from an entity cannot be functional and efficient at the same time, and cannot achieve the mission only on the basis of some perceptions of accounting regulations.

As the author said, opinion which I agree, is in dire need of economic entities in general, its own accounting system, constructed and applied informed, oriented towards fundamental values (principles and laws) of the conceptual demands and of the applicable regulations.

In this context, the objectives of professional reasoning follow: balancing the qualitative characteristics of financial information that gives a true and fair view of the situation of the entity; items that will be recognized in the balance sheet (assets, liabilities, equity) or charged to the profit and loss (income and expenditure); evaluation methods and accounting rules; basic treatments (historical cost); alternative treatments (current cost, revaluation); determination of significance threshold by posting items in separate posts, if they are significant in common positions, whether they are insignificant; elaboration and approval of the entity of its own chart of accounts specific to the activity, with appropriate accounts relate.

So, in view of the above, we can say that reasoning turns out to be a fundamental concept of norms, regulators of accounting rules, but, equally, also of managers and professional accountants who integrate accounting information in terms of the market economy, as business and useful product realisation of economic decision-making.

As about the possibility of choosing between different methods and accounting treatments permitted within the same accounting system, Radu (2009:95) believes that it is the primary way by which the "offer person" by accounting information manifests subjective option with a particular purpose. In the same vein the author states that the accounting information are generated by three different sources and uneven in terms of quality, namely:

- those arising as a result of transactions and events in the current period that are accounted for at the time of the occurrence through rigorous application of accounting policies;

- those that come from events after the closing date of the balance sheet, but before the annual accounts must be approved by conditions that existed at the balance sheet date and which lead to the adjustment of financial statements;

- those that come from events after the closing date of the balance sheet, but before the annual accounts must be approved by conditions which did not exist at the balance sheet date and which do not lead to the adjustment of financial statements.

Therefore, in view of the above, in the author's opinion, is out of reach, at the discretion of the directors of the entity to determine what conditions existed at the

balance sheet date:

-where, after the date of the balance sheet, there are new evidence or information regarding those conditions, then it is necessary to make an adjustment to the financial statements if the amount involved is significant;

-where the additional information does not relate to conditions that existed at the balance sheet date, requires the information to be provided in additional notes, if the managers consider that the values involved are meaningful or that they can influence decisions made by third parties on the basis of the financial statements;

-with regard to dividends period from which the related reporting and that are proposed or declared after the balance sheet date, the author highlights the fact that it is not necessary to be reflected in the accounts of that period, since they do not represent a condition existing at the balance sheet date.

At economic entities in general, accounting information users, are interested to have access to this information because the decisions we take about the entity in question are affected by them.

In this regard, in the author's opinion, accounting policies are detailed methods for the recognition and valuation of financial statements, structures for which the entity has chosen, from among those supported by regulations or standards that are used on an ongoing basis in order to carry out an exact accounting, of a accurate images.

The field of applying the accounting policies includes mainly published financial statements taken as a whole, whether they are individual and consolidated management reports thereon, the twice-yearly reports as well as information subject to disclosure, and in terms of the typology of appropriate accounting policies the author considers the following boundaries, as follows:

- Depending on the time and frequency of their application:
 - specific accounting policies accounting;
 - the accounting policy relating to the preparation and presentation of financial statements;
 - the subsequent preparation of accounting policies and presentation of financial statements;
- Depending on their scope:
 - the accounting policies for individual accounts;
 - accounting policies the consolidated accounts;
- Depending on their nature:
 - accounting policy assessment;
 - policies of financial statements;
 - financial communication policies.

According to the author's choice of accounting options involve accounting policies or estimation techniques relating to the preparation and publication of financial statements that generate the best information, which really means getting and providing a true financial position and performance for decision making, and whatever the accounting system, we can find with practiced ease that accounting policies support the charging of the effects of transactions or of an entity's financial position event and/or financial performance. That's why the author believes that the

conceptual difficulties relating to the entity's accounting policies are maintained largely by "dispute"-balance the profit and loss account in regard to the reflection of the performance of the entity.

2. In conclusion:

Today fierce competitive environment, determines economic entities, including those from trade, to identify, to assimilate and exploit all the resources available to them and to enable them to optimise, reducing costs while increasing performance, reducing response time to market changes and the legal framework. Among the instruments to assist in the attainment of economic entities they are assimilating information technology solutions offered by incorporating them into information systems.

Theoretical framework brings together a number of concepts that are considered fundamental to regulatory or accounting systems applied at the level of the entity to have clearly specified the coordinates of the base and are able to achieve cohesion between the objective of financial statements as true and fair view, financial information and policy characteristics and estimation techniques as a form of expression towards the recognition and presentation of economic reality. In the preparation of accounting policies must take account of the specifics of the technical-economic activities carried out by each entity in the part, and managers must develop accounting policies so as to ensure that through the financial statements/annual accounts, data and information to be relevant, credible: complete and neutral, in all significant aspects.

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IAS 8 – Politici contabile, modificări ale estimărilor contabile și erori.

OMFP nr.1802/2014 pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate.

Directiva nr. 34/2013/UE a Parlamentului European și a Consiliului din 26 iunie 2013 privind situațiile financiare anuale, situațiile financiare consolidate și rapoartele conexe ale anumitor tipuri de întreprinderi, de modificare a Directivei 2006/43/CE a Parlamentului European și a Consiliului și de abrogare a Directivelor 78/660/CEE și 83/349/CEE ale Consiliului.