

Positioning on Trends of the Accounting Modeling Process

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ABSTRACT

Accounting modeling is frequently debated among theoreticians and practitioners in accounting and often causes controversies even in the academic environment. These are based mainly on different views on the limits of freedom and conformity in developing treatments of economic operations. Therefore, in our view, it is very important the achieving performance in assessing modeling processes to ensure the necessary conditions for avoidance of any violations of good accounting principles and practices, namely to ensure compliance with applicable regulations, to prevent any damage (both as regards the business entity as well as the state budget revenues). Therefore, we will discuss the main issues related to the trends of accounting modeling process and the importance of achieving performance in this area.

Introduction

The debate of this topic is deemed very important for clarifying some matters aiming at the place and role of accounting modeling, in order to express in a more accurate manner the characteristics and purpose of business operations. To this end, the work was structured as to include the entire area of accounting modeling; primarily some positioning are related to the trends of this process.

These positioning's aimed at defining the performance in accounting activities and its correlation with performance at the company level, to the achievement of which it brings an important contribution, by providing an accurate picture of the financial position and performance of the company.

To express it better, I made the configuration in the form of a flow chart of an embodiment of the performance achievement process in the accounting work, bringing the advantage of an accurate understanding of the impact of this process on revealing the accounting truth.

I also approached, from the systemic point of view, the accounting modeling process and I have realized that the accounting models also perform a role of harmonization of financial accounting with the management one, in the meaning that the components of accounting models (evaluation, depreciation, revaluation, etc.) should have a positive impact on both sides of accounting which, in their essence, are complementary.

In conclusion, I have shown that elements with negative impact on the quality of accounting information have a real support and derive from different perspectives from which are approached those issues concerning the accounting models selected.

Performance, a central pivot in assessing processes of accounting modeling

The debate of this issue starts from the general definition of the accounting result, i.e. "the difference between the company total revenue and total cost" (Mihai Ristea, Corina Graziella Dumitru, Bucharest, 2011, page 15), as well as from the profit and loss account as the primary indicator of company performance. But the **performance of the company**, whose growth is identified with maximizing profit, may be viewed from double perspective, that of increase in the revenue, as a result of the increase in the quantity, quality and value of products (services) sold, as well as decreasing total costs through the efficient use of material, financial, personnel resources, etc.

This implies the going over, in optimal conditions, of the successive steps of conception, design, manufacturing, quality control and the sale of products/services, which involves the permanence of guidance of efforts towards achieving efficiency in each of those steps.

Therefore, we note that the company performance depends on a series of internal and external factors that can be objective or subjective, of which we can distinguish between the quality and timeliness of accounting information, indispensable for both taking managerial decisions and decisions of external users (tax office, customers, suppliers, creditors, investors, etc.). But "accounting information is not a benefit guaranteed to the recipients, except that in a processing environment that requires a proper implementation of accounting rules" (Neculai Tabără , Iasi, 2006 , page 122).

This means, in our opinion, that, during the whole process of data collection, registration, systematization, processing and accounting configuration of accounting information, to ensure the removal of all sources of non - quality. In other words, accounting information should ensure the configuration of fair picture of the result, which requirement, we can say, represents the essence of performance in the accounting work.

This leads to the conclusion that achieving performance in accounting work is, in its turn, a part of the larger concept, that of performance of the business entity and, by this, it becomes a central objective of the company accounting policies. Starting from these considerations, in *Figure 1*, we configured a version of flow chart of the achievement of performance in the accounting work. Thus, we see that the specific of economic and financial transactions subject to the influence of some objective and subjective factors and the requirements to ensure neutrality requires that, on the grounds of the regulations in force, the most appropriate accounting policies be developed. This involves the selection and use of accounting models and concepts of capital maintenance, appropriate to the objectives set, obviously in compliance with the regulations (compliance) as well as freedom in applying accounting concepts and practices. All these influences decisively the accounting processes undertaken and finally, the configuration and quality of the accounting result.

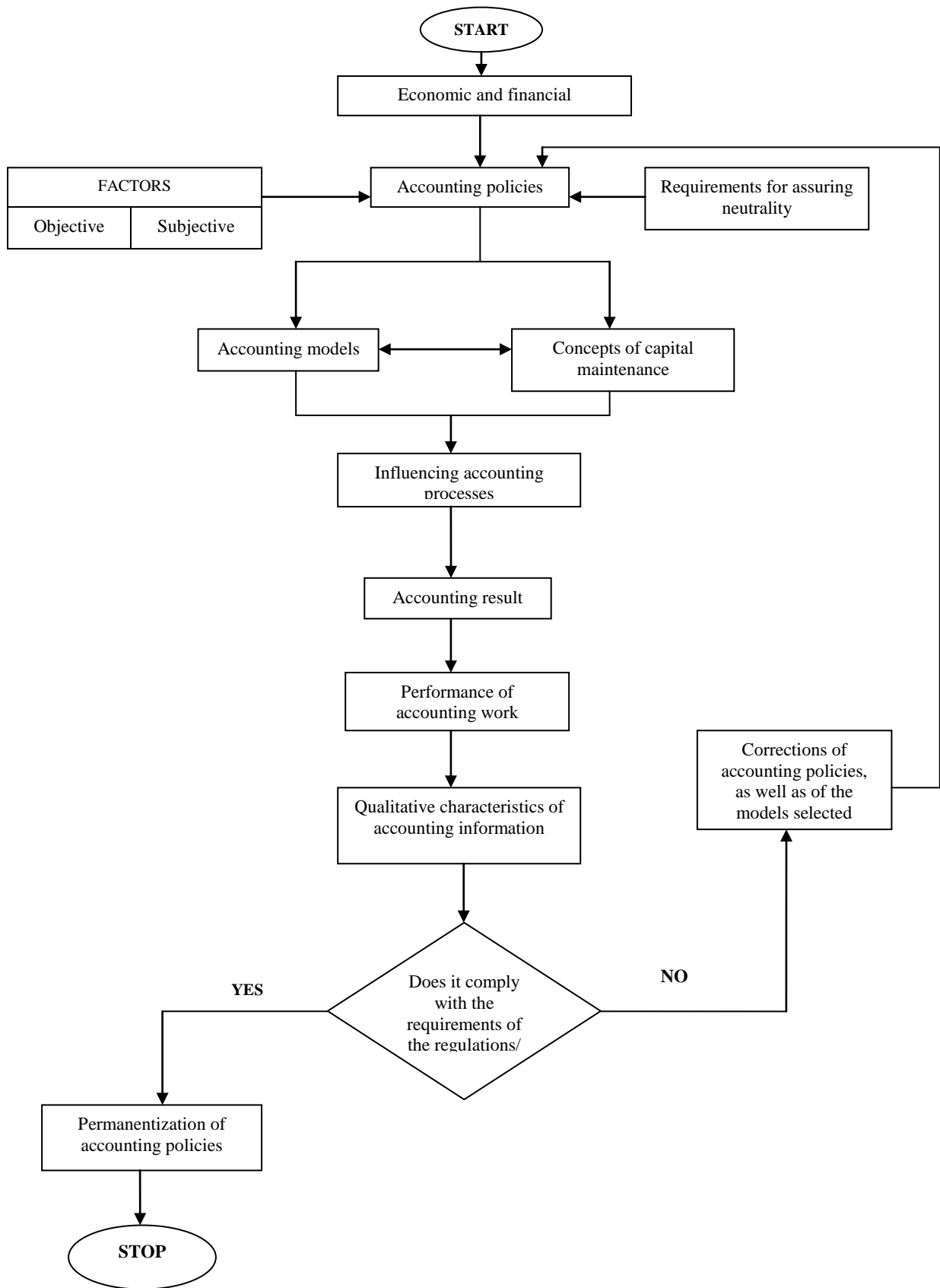


Figure 1: Flow chart (version) of the performance achievement in the accounting work

This explains that "in terms of the perception of the accounting information users, the accounting result has a subjective determination. Although the accounting result wants to be real, relevant, neutral, fair and credible, though, from the part of information consumers, certain differentiations are shown" (Mihai Ristea, Corina Graziella Dumitru, Bucharest, 2011, pages 16-17). From this point of view, the above-mentioned authors make a correct differentiation between the "capital owner", investors, creditors, as well as production factors as regards the calculation of the result, which is still a factor that gradates the subjectivity about we spoke of earlier.

Therefore, in view of globalization, also highlighted by enhancing the international transactions, IASB efforts are to be considered in order to achieve convergence of national accounting standards, as an effective way to harmonize the differences in treating various accounting cases, which puts a new light on the concept of accounting quality.

Thus, if we refer to the elements defining the accounting quality (compliance, flexibility, clarity, reliability, verifiability, intelligibility, comparability, speech intelligibility, neutrality, etc.), widely recognized in the specialized literature, we will find out that the cumulative effect need to be precisely the accurate picture of the accounting result, i.e. accounting work performance. In other words, performance in accounting work is the direct result of selection and use of accounting models and concepts of capital maintenance, which are the most suitable for the specific nature of economic and financial transactions carried out, respectively, the compliance with requirements for ensuring neutrality in view of the "absence of appreciation elements introduced by the influence of a previously searched result in expressing the financial situation of the business facts or company activity" (Neculai Tabără, Iași, 2006, page 125).

Also, another basic requirement is the correspondence with the legal provisions in force, whose consequences can be permanentization of accounting policies developed or, where appropriate, need for making the necessary corrections, including as regards the accounting models used. From this point of view, it is appropriate to mention again the importance of understanding and correct implementation of requirements defining freedom and compliance, both in development and in the enforcement of accounting standards and practices, as well as the role of becoming a determinant, of international accounting standards, as well as the European directives in the field.

However, in contrast to the view expressed, relating to the implementation of performance in accounting work, the specialized literature reports the existence of the so-called concept of "creative accounting", which is used to describe the process by which the accounting professionals use their knowledge for the purpose of manipulating the figures included in the annual accounts" (Niculae Feleagă, Liliana Malciu, București, 2002, page 389). In this regard, most authors are of the opinion that although accounting models start from different opinions as regards the registration in the accounting books of certain transactions, freedom provided by the regulations and accounting concepts, should not lead to distortions with negative impact on "accounting truth".

Thus, in the same work, at page 389, the above-mentioned authors are quoting Jameson M., who, in his paper named "A practical guide to creative accounting" states that "accounting process involves operation with different views and resolving disputes between them in order to present the results generated by transactions. Such flexibility facilitates the manipulation, deception and distortion. These activities practiced by some less scrupulous members of the profession, began to be known as creative accounting [...]. Creative accounting does not violate the accounting regulation and law. It complies with their contents, but obviously not their spirit [...]. There is no doubt on the negative character of the creative accounting. It distorts the results and financial position relating to the company [...]".

Given these considerations, it follows with certainty that creative accounting practices, generates the most elements that seriously affect the performance in accounting activities and implicitly, company performance, with particular legal and business consequences.

Such issues can be also seen in cases of corruption and abuse of office, whose common denominator is the use of accounting manipulations, instruments of justice, which, by their amplexness, reflected by the media, indicate the extent to which they affect the national interest, ultimately.

In conclusion, we can say that the performance of the accounting work is the center of coordinate axes to which options must relate in the assessment of accounting modeling processes.

They must consider the freedoms described by the accounting theory and practices, only subject to compliance. From this perspective, we consider that improving accounting practices can be made only in accordance with the evolution of accounting theory, as well as accounting normalization.

A systemic approach to accounting modeling processes

We notice that, at the international level, firm actions are taking place for the convergence of national accounting standards and IFRSs. From this point of view, the "different assessment accounting methods lead to [...] different results". For example, the aggregation of conservatism and historical cost leads to a result different from that calculated in an accounting based on the assessment of the assets and liabilities recognised in the balance sheet, at their fair value. In addition, at the company level, there are 3 results: accounting result, calculated by the General Accounting, linked to financial analysis reasons; tax result calculated by the financial accounting and related to tax reasons; management result, calculated by the management accounting and related to grounds of efficiency regarding the company performance and maintaining it into competitive condition" (Mihai Ristea, Corina Graziella Dumitru, Bucharest, 2011, page 17). Schematically, this view could be highlighted as shown in Figure 2.

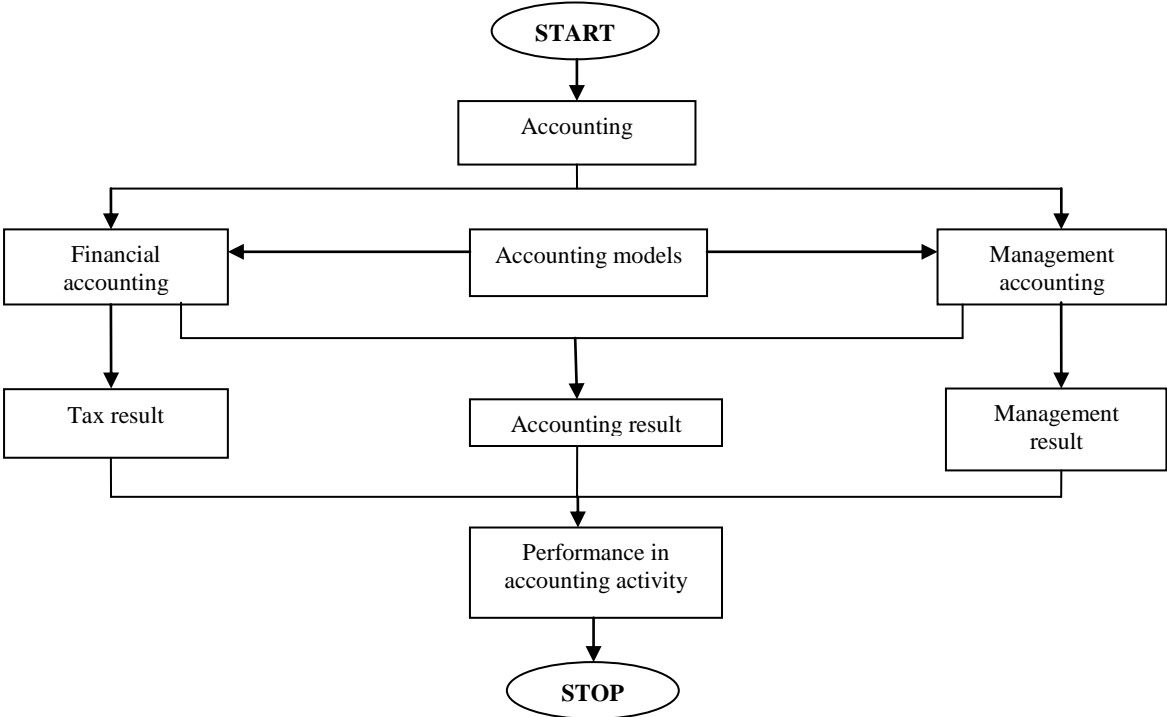


Figure 2: Place of accounting modeling in the whole of the accounting process

From this point of view, accounting taken separately may be considered a **system**, i.e. "a set of elements (principles, rules, forces etc.) dependent on each other and forming an organized whole, which put order in a certain field [...]" (DEX 2012 , page 1024). Under this accounting

system, accounting models practically plays an interfacing role, i.e. "the interconnection of parts of a system [...] so as to perform its function properly coordinated" (DEX, 2012, page 515). Specifically, among other criteria, on the selection and adoption of accounting models, it must also take into account the fact that the two complementary sides of accounting (financial and management) taken together, "it should give the real picture of the financial position and performance in such financial cycle" (Traian Ovidiu Calotă, Bucharest, 2013. page 34).

Therefore, in our opinion, the accounting models fulfill also the role of harmonizing financial and management accounting, in the meaning that the components of accounting models (evaluation, depreciation, etc.) should have a positive impact on both sides of accounting, which, intrinsically, are complementary. Only in this way the accounting information shall have the quality necessary for the revealing of the true image of the fiscal period result, as well as the performance achieved.

It is obvious that the fulfillment of these goals can only be the result of activity of some professionals, holders of thorough theoretical knowledge and practical skills, from where derives the importance of contribution of the specialized professional organizations to the continuous improvement of training the practitioners and chartered accountants.

From another perspective, accounting, as a whole, is a component of a larger system, that of the economic and financial transactions, together with the management, production, sales, quality control and assurance, etc., within which the accounting information is a basic element in decision-making. But, the quality and timeliness of providing accounting information depend, to a greater extent, of the accounting modeling process, what gives us the level of its involvement in the general process of carrying out economic and financial transactions. Basically, accounting modeling, by its effects, can be compared to a component of a gearing of which correct operation depends the running of the entire gear system, or in other words, it is an important component of a hierarchical system.

Taken separately, an accounting model can be considered itself a system whose components (subsystems) are made up of elements which define such model (type of assessment, depreciation, moment of recognition etc.).

From the perspective of those referred to hereunto, we can notice "the role and place of accounting in the organization and management of economic operations, materialized through its establishment as an integrated system of techniques and tools for the gathering, processing, use and reporting of information related to financial position and performance ". (Traian Ovidiu Calotă, Bucharest, 2013, page 35).

Also, however, all these show that the issue of accounting modeling holds an important place in the whole process of development and configuration of accounting information, with major implications to the economic and financial transactions, both in terms of their performance and their compliance with the regulations in force, at the national, European and international levels.

Conclusions

The controversies from which we started this debate regarding the elements that decisively influence the qualitative characteristics of accounting information, have a real support. They derive, in our opinion, from the different perspectives from which are approached the items aiming at the accounting models selected for the development of accounting the economic and financial transactions.

From this point of view, the issue of improving the accounting theory and practices is always topical and meets the increasing trends of convergence of accounting systems and reference standards. According to these standards, accounting must take into account a whole series of accounting rules and principles, as well as tax ones, which greatly limits the opportunity to resort to alternatives, on the other hand, diversification and volume of transactions require the need to call for a series of specific accounting methods and models and their continuous adaptation to the new conditions of the accounting theory and practices. Therefore, I saw that it is more and more debated a trend of convergence of accounting models to a general model that will get a better response to the

irreversible process of globalization, through overall harmonization of the economic and financial relations.

This will not exclude freedom and compliance, as determinants of trends for modeling the accounting information, so that an efficient management will design and apply those accounting policies that appeal to the most suitable models of the configuration of accounting information. In this regard, we distinguish two trends, an usual, natural one, through which accounting modeling allow the configuration of a more accurate picture of the economic and financial situation, as well as a "creative" one, which can result in handling accounting information and legal consequences.

The performance of the company depends on several internal and external factors, of which the most important are the quality and timeliness of accounting information, its ability to render the accurate picture of accounting result, which requirement is actually the essence of performance in the accounting work. Therefore, one can say that the performance in accounting work is a direct result of the selection and use of accounting models and concepts of capital maintenance, the most appropriate ones for the specific nature of economic and financial transactions carried out.

Also, the performance of accounting information is the central pivot of the options assessment of the accounting modeling processes, which must take into account the freedoms offered by the accounting theory and practices, but also of the obligation of compliance with the regulations in force. At the same time, to ensure an estimated level of performance, accounting modeling must always be approached systemically, of its role and place among the economic and financial transactions.

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