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## Delimitations Regarding the Accounting and Fiscal Management of External Debts for Romanian Travel Operators

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### ABSTRACT

The specific activity of travel agencies consists in the sale and purchase of travel products. In case of travel operators In case of travel operators, including travel agencies, we find a couple of services provided by foreign suppliers, third persons and/or affiliates of the said entity, as for example: consulting, management, audit, services determined by the franchise regime. Therefore, a couple of invoices are received with explanations as "bonus", "franchise fee", "group license fees", "management fees", "group consulting", "logo creation for trademark rebranding" etc. Such transactions and operations require the thinking of the accounting treatment in terms of registration, assessment and acknowledgment (i) of the corresponding business debts, (ii) of determining the costs for the supply of such services, as well as the fiscal treatment. The two treatments can be designed and implemented starting from the contractual provisions, the nature and destination of services, the economic reality and, which is extremely important, the fiscal regulations.

All these generate economic, financial, accounting and fiscal risks, which requires a prudent and informed analysis of the provisions included in the service contracts.

### Introduction

As there are many situations when we face services received from third persons outside Romanian borders and we question ourselves how to settle things from the accounting and fiscal point of view, our aim is to make an inventory and then to analyze and substantiate an interesting casuistry. The objectives to be taken into account are distinct in terms of accounting than in terms of taxation, as follows:

**Table 1:** The objectives of accounting and of taxation

Accounting treatment	Fiscal treatment
acknowledgment and assessment of business debts;	declaration of service contracts at the Romanian fiscal authority, before starting their execution;
acknowledgment of services as costs;	analysis of the risks to consider that a non-resident person earns incomes by means of a permanent headquarters;

registration of service costs during the period when they were supplied (matching principle);	taxation of the profit or income derived by the non-resident person treatment applied from the VAT point of view.
conversion into lei, of the amount of the business debts expressed in foreign currency; update at the end of each month and at the end of the financial year of the business debts at the exchange rate valid for such dates;	
calculation and registration of Exchange rate differences on the debt settlement date.	

### Delimitations regarding the accounting treatment

As a general rule, taxation follows accounting. Therefore, we will first analyse the **accounting treatment applied to service contracts for the services received by travel operators** from external partners.

It should take into consideration the legal regulations, but also the accounting policy used by the company in terms of assets, debts, incomes and expenditure to be registered into the accounting of the Romanian beneficiary.

1. The accounting of undertakings practiced in Romania requires the registration of the cost of the services received from the external supplier in the expenditure account, during the period of supply, if there is a proof that they were actually executed, provided that a credible assessment is made and they are connected to the incomes of the same period of time.

Most services received from the companies in the tourism field are registered in the expenditure account (royalties, commissions, services for improvement of IT system, management fees, transport follow up fees, franchise, etc.).

However, there are cases in which the services can be registered in the cost of assets. For example, a Romanian travel company receives (i) services for implementation of a software to be used as intangible asset or (ii) consulting services for registration as international trademark with the State Office for Inventions and Trademarks, for all the classes found in the Nice Classification; in such case, the fee invoiced for the services supplied by external partners shall not be registered in the cost of the period, meaning in the profit and loss account, but it shall be registered in the cost of intangible assets because the requirements for registration of an asset are met, and not for the registration for a cost. On the date when the services are received, a fixed asset in progress of execution will be acknowledged, and after the software is commissioned or the trademark registration certificate is issued by the State Office for Inventions and Trademarks, the intangible asset will be registered.

2. What date do we register the debts towards the external supplier? It shall be registered on the date when the acknowledgment requirements are met: (i) the obligation must be present, (ii) to result from past transactions, (iii) to be credibly assessable and (iv) in order to extinguish it resource outgoings are required (usually effective money) incorporating future economic benefits.
3. To what amount will be the debt initially registered? The initial assessment concerns two issues: (i) it shall be made at the nominal value of the external debt, in the currency agreed in the contract concluded between the parties and (ii) the conversion in lei of the foreign currency will be made at the exchange rate of the National Bank of Romania valid on the transaction date.
4. How will the debt be subsequently assessed? If the debt is not extinguished, by payment, until the end of the month in which it was registered, then it will be updated at the exchange rate of the National Bank of Romania from the last bank day of such month. In this case, costs or incomes resulting from exchange rate difference will be calculated and registered, as the case may be. The same treatment will also apply at the end of each month taking into account the outstanding amount and the assessment made at the end of the previous month.

5. How do we assess the debt on the payment date? The extinction of the debt will always be made at the reference exchange date of the National Bank of Romania from the date of the last assessment.
6. How do we assess the effective money in foreign currency on the payment day of the debt? The assessment shall be made only at the National Bank of Romania of the payment date. Again, costs or incomes resulting from exchange rate difference will be calculated and registered, as the case may be.
7. Which is the size of the debt to be paid? At the debt payment date, total or partial, the accounting treatment will take into account the obligation to withhold the income tax for non-residents or its settlement in the country of residence of the external supplier. If the income tax for non-residents is not owed in Romania, the debt will be will paid. If income tax for non-residents is owed and it should be withheld, at the payment date of the external debt the tax shall be established in foreign currency, by application of the legal rate (indicated in the Convention for avoiding double taxation or in the Fiscal code, according to the actual situation) to the amount to be paid. The foreign currency will be converted into lei at the exchange rate of the National Bank of Romania from the payment date of the external debt. As the withholding is made from the outstanding debt, it results that (i) it will be decreased with the amount in foreign currency of the withheld tax. The income tax, expressed in lei, will be registered as a debt towards the Romanian state.

**Remark:** If there is the obligation to withhold the income tax for non-residents, but the debt was fully paid to the external supplier, the economic operator is the one who will pay the tax on the account of operational expenses, but which from the fiscal point of view will be non-deductible. The debt paid to the supplier shall be considered to be a net amount, which will be therefore completed in order to apply the taxation rate to the obtained gross.

### **Delimitations regarding the fiscal treatment**

In interdependence with the accounting treatment analysed above, we should focus now on the fiscal treatment in terms of (i) deductibility of costs for received services; (ii) use of transfer prices in case of affiliates; (iii) taxation of the incomes earned by the non-resident; (iv) VAT regime.

1. In terms of the profit tax, we should consider the fact that art. 21 paragraphs (4), letter m) of the Fiscal code considers non-deductible the costs for management, consulting, support services or other services for which the Romanian beneficiary cannot justify their necessity for the purpose of the carried out activities and for which contracts are not concluded. For the implementation of this article point 48 is issued of the Methodological norms of implementation of the Fiscal code, which says that in order to deduct the costs for management, consulting, support services or other services the following requirements should be cumulatively met: (i) the services must be effectively supplied, to be executed based on a contract concluded between the parties or based on any contractual form established by the law; justification of the effective supply of the services is made by: work statements, acceptance minutes, work reports, feasibility studies, market studies or any other corresponding materials and (ii) the Romanian taxpayer must prove the necessity of the costs based on the specific nature of the carried out activities.
2. In terms of the transfer prices, art.11 paragraph (2) of the Fiscal code regulates that within a transaction between affiliates, the fiscal authorities can adjust the amount of the income or cost of any person, as it might be necessary, in order to reflect the market price of the good or services supplied within the transaction. In terms of affiliates, the answer to at least two questions will be searched for: (i) is the service actually supplied? And (ii) would the service beneficiary have used the services if it was a person independent from the parent company?

The applied methods are: (i) the resale price method, (ii) the price comparison method and (iii) the cost-plus method. Additionally, any other method can be used which is acknowledged

in the guidelines on transfer prices issued by OECD (Organisation for Economic Co-operation and Development).

The establishment of the market Price of the goods and services settled between affiliates starts from the behaviour which two independent persons would have had if they were in the position to conclude such transaction, taking into consideration the correct and legal establishment of the price or fee. This is why, in case of services, the usual or standard fees in the said branch are compared. If there is no information available, the cost-plus method shall be used.

Please be reminded that there is the possibility, in case of transactions concluded with non-resident affiliates, to submit with the Romanian fiscal authority an Advance payment agreement for each supplier of goods and/or services, which is a non-resident affiliate. If such an agreement exists, the authorities shall establish the market price of the goods and services determined by the method used and declared by the parties. If such an advance payment agreement does not exist, the fiscal inspection can be suspended until the file of transfer prices is made available. The refusal to submit the file of transfer prices or its incomplete submission at the established term shall entitle such authorities to estimate the amount of the transfer prices.

**Remark:** It should be checked up if the Romanian legal person has the obligation to declare the contracts concluded for services of the nature of construction works, assembly, supervision, consulting, technical support and any other activity, executed by foreign legal persons or natural persons who are not resident on the Romanian territory.

3. Fiscal treatment of the taxation of incomes earned by non-residents in Romania, is aimed at establishing the state in which the income earned by non-resident persons should be taxed: in Romania or abroad, respectively the taxation rates (the ones stipulated in the Convention or in the Fiscal code).

First of all, the Fiscal code should be checked up in order to determine whether the incomes earned by the non-resident from domestic travel operators are taxable in Romania or not. The taxable basis is usually represented by the taxable gross income earned in Romania and the taxation rate is 16%. The domestic laws provided that this tax should be calculated by withholding upon income payment, and it will be paid to the state budget until the 25th day of the month following the one in which the income was paid. Please note that there are situations when the Fiscal code also provides that certain incomes are exempted or not taxable, especially when the external partners hold for a minimum period of time interests with the Romanian companies.

However, an analysis should be made in terms of whether there is a Convention for avoiding double taxation concluded between Romania and the state of the external supplier, and based on such convention to establish the nature of the income, the rate and place where such income is to be taxed. If the income is not taxable in Romania or the taxation rate in the Convention is smaller (more convenient) than the rate established in the domestic laws, please take care that in order to apply the dispositions of the Convention for avoiding double taxation, it is compulsory that the Romanian travel operator withhold the tax at the most convenient rate, if applicable, and to be in the possession of the Tax residence certificate of the non-resident issued by the fiscal authorities of the supplier's state of residence.

If the tax is owed in Romania, the travel operator will have to fill in and submit (i) periodically, Form 100 "Return regarding payment obligations towards the state budget", for each month in which such tax is owed, respectively (i) on an yearly basis, "Informative return regarding the tax withheld and paid for the incomes with withholding regime/exempted incomes, for non-resident income beneficiaries", until the 28th/29th of February of the current fiscal year for the expired year.

4. In terms of the VAT fiscal treatment, we have to analyse the nature of services and the quality of the persons involved (the two partners are or are not taxable persons registered for VAT purposes). Also, from the VAT point of view the following should be

established: (i) the place (territoriality), (ii) the date when the generating fact takes place and the tax enforceability, (iii) the applicable rate, (iv) the person who has the obligation to pay the tax, (v) the payment modality of the tax (usually by reverse taxation), (vi) the report modality by tax returns (by Forms 300 and 390 VIES), (vii) the requirements which the travel operator has to meet in order to be entitled to VAT deduction TVA etc.

## Conclusions

Our analysis proves:

- the importance of negotiating the business contracts and also other types of contracts taking into account all the legal, economic, financial and fiscal issues of a transaction;
- the importance of a good and efficient communication between the responsible specialist managers;
- the necessity to conceive the accounting and fiscal treatment corresponding to the business debts on the negotiation date of the contract, which is before the conclusion of transactions and not as they are carried out;
- the necessity to identify, quantify and organize fiscal, financial and accounting risk management at the three basic levels: VAT, profit tax, income tax for incomes earned by non-residents in Romania.

More than this, we recommend all executive officers (from operational managers to higher managers) to actively participate in all phases (from the ones related to the drawing up of the contract to the ones effectively related to its execution). It is necessary to have a procedure including clear instructions regarding operative records specific to the transactions resulting from the contract, circuit of documents, control, of activities and persons in charge, form and term of communication towards the authorized persons of the information written in various supporting documents and non-standard reports with the standard ones etc.

We also recommend during the carrying out of the transactions, to follow up the following: (i) any change in the national or international business, accounting and fiscal laws which might have an impact on the transaction in progress; (ii) any contract change regarding the nature of the supplied services or their actual execution; and (iii) the incidence of the above-mentioned changes on the accounting, financial and fiscal treatment.

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## The Management of Stress in SMEs

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### ABSTRACT

Understanding the sources of generating stress for employees, management actually begins the process of identifying problems their company. Stress affects the human brain, its functioning, because the brain's ability to function is closely correlated with the emotional state.

When, an SME employee is in a positive emotional state, his brain work best, generating the best performance at work. Employee of an SME, which is in a negative emotional state that: nervousness, anger, depression, acting less and less efficient.

Thus, the stress level increases, decreases the brain's ability to think, to learn, to act efficiently in various circumstances. SME managers should reduce stress on employees to increase their productivity.

### Introduction

A good manager can help to reduce stress and psychosocial risks at work in the enterprise that he manages. It is not true that good leaders are born rarely. Like other skills, and leadership, personnel management can be learned and developed. A good manager is a model that inspires employees; motivate them to achieve their objectives that have been set. The manager knows the strengths and weaknesses of team members.

"A blind faith in the efficient of financial rewards prevent managers also takes into account the strength of feeling of mission and passion, as driving mechanisms of human effort" [2].

A good leader stimulates and encourages team members to work to achieve common goals and general benefits and assume responsibility for their work. He encourages team spirit and high morale and gets all the best from his team.

A recently pan-European survey [5] shows that:

- 72% of workers believe that the reorganization or insecurity of the job is one of the most common causes of stress at work;
- 66% attributed stress at "number of hours worked or workload";
- 59% attributed stress that "are subjected to unacceptable behaviors, such as psychological or sexual harassment";

- 51% of all workers report that workplace stress is common where they work;
- About four in ten workers believe that stress is not well managed at their workplace.

Stress at work is when the job exceeds the worker's ability to cope. It is one of the most important effects of psychosocial work environment inappropriate, workers who prolonged stress at work then going to suffer serious physical and mental health problems.

Efficient management of health and safety at work is beneficial for workers, the company and society as a whole. This is important to remember, especially during the current economic crisis, it is vital that businesses maintain their productivity when working under pressure of deadlines and when the probability of error is the biggest cause.

Other causes that can lead to stress in SMEs are lack of support from management and colleagues and poor interpersonal relationships, psychological or sexual harassment in the workplace - victimizing, humiliating, or the release of threats from bosses and colleagues against an employee or group of employees. Causes of occurrence of stress are:

- inequitable distribution of work, rewards, promotions or career opportunities;
- inefficient communication, organizational changes improperly managed;
- job insecurity;
- Difficulties as regards the combination of engagements of the work at home.

"Organisations learn only through individuals who learn. Individual learning does not guarantee organizational learning "[4].

### **Definition of Stress**

The term "stress" comes from the English language, the field quality testing of materials - e.g. glass, metals - and indicates the extent, compressing various materials.

Scientifically, stress is defined as "the way of specific or nonspecific reactions of an organism to stimuli that affect its balance and tired or exceeds the capabilities of combat" [3]. Reaction to stress is different from person to person, some reacting quickly to a low stress level; others can easily combat extremely stressful events. Different reaction to stress is closely related to experience and assess each individual and depends less unpleasant state of tension that can be perceived.

The occurrence of stress activates "an ancient survival program contained in our genes." The program involves a reaction of the body to danger. Conducting stress is divided into 6 phases [3] as follows:

1. orientation - is the phase where the signal is perceived and directed to the brain;
2. alarm reaction - in this phase, the brain realizes that it is a signal that put his life in dangerous. The human body responds by releasing the hormone responsible for the fight and run;
3. adaptation - involves a full body tensed, ready to run or fight;
4. rest - is the phase that follows winning a fight or run saving;
5. overuse - installs as phase, when the brain is constantly attacked of stimuli that announcing jeopardizing life. The person is always feeling that is attacked and must react by escape or attack;
6. complete exhaustion - occurs when overload condition is prolonged excessively. The person in this phase survives with energy reserves, overburden their immune system will be unable to react adequately to dangerous situations.

There are two types of stress: stress "agreeable" - eustress guarantor health and stress "disagreeable" - distress generator diseases. Eustress stimulates us to obtain performance and distress bridle our actions, we reduce the energy.

A positive stress gives [3]:

- increased vitality;
- increasing physical strength;
- increasing immunity;

- optimism;
- sense of power;
- increasing professionally efficiency.

The effects of prolonged action of negative stress are:

- chronic fatigue;
- exhaustion;
- difficulty concentrating;
- nervousness;
- restlessness;
- disorders of memory;
- disorganization;
- making mistakes.

Stress at work is a topic of great interest. In the current economic crisis, the situation of SMEs and not only is more strained [6]. Many employees feel more affected by stress, watch, subjugated, hurry, disappointed with the current situation. On the shoulders of employees of SMEs pressed managers' expectations on all hierarchical levels, expectations of colleagues. Pressures on employees are related to time, changing time zones etc. Stress becomes a more dangerous part of economic life with effects on profit, motivation but also on internal activities of SMEs.

Bioclimatic factors that generate stress in a business include [3]:

- high volume requirements;
- divergent purposes;
- lack of action or decision;
- lack of personal time management;
- lack of trust in managers or colleagues;
- fear;
- separation from family;
- illness;
- disregard.

"In the most of cases, cause of installation the stress, is within us" [3].

### **Methods of Control the Stress**

There are no standard recipes to combat the stress. Each person is different from others by personality profile with the characteristics of their background, with some experience, knowledge and a certain attitude.

Stressful situations are perceived differently from person to person, strategies to combat stress and sets of measures must have an individual character to be efficient.

As techniques to combat stress have the following [3]:

1. Resolving conflicts and problems, which involves the use of tools to detect errors and correct them;
2. Attention and rigor - means individual action, thought and application decisions consciously and appreciation the new;
3. Positive change - finding solutions to issues, changing the way of thinking, improving of reality through awareness the possibilities;
4. Personal Management - involves personal organization, prioritization by importance of what is intended to be taken, awareness that sometimes less is more, the ability to compromise, change management implementation, considering the unknown elements;
5. Goals – including in combat stress of short-term goals, medium and long but also those throughout life. Goals should be more efficient, more realistic and meaningful to exist an individual balance in relation to stress.

Do not forget, however, that it is easier to prevent than to combat the effects of stress, once it was installed.

Thus, we can prevent stress by [3]:

1. silence - we continuously improve, take less seriously stressful situation and sometimes even ourselves, considering some situations that as are;
2. relaxation techniques and meditation - to detach us daily;
3. balance body preserved through balanced diet, sports and carefully notification of alarm signals sent by the body;
4. wishes, needs, potential, preference, to be satisfied in proportion as high;
5. Appreciation of life, stress inventory, determining what really deserves to be realise, establish the values;
6. Communication trough connecting to interpersonal networks, independence in action, interaction, appropriate behaviour.

We must always remember that chronic stress once installed on the individual, excludes successful prospects, the links with friends and colleagues, curiosity and ultimately destroys health.

### **The Management of Stress in a Romanian SME. Case Study – S.C. Iliana S.R.L.**

S.C. Iliana S.R.L. has as main activity, production of laminated wooden CAEN code 2020 - Manufacture of veneer sheets plywood, hardboard, plywood, sheets of particles of wood, fibreboard, etc. [1].

The company is a medium-sized enterprise with a number of 120 employees, of which over half are women. Qualified personnel are 70%, with the following specializations: economist-engineer, economist, engineer, carpenter, electrician, stoker, locksmith, auto mechanic. Staff worker is 98% of its workforce.

S.C. Iliana S.R.L. is equipped with advanced machinery used in the manufacture of windows and doors from wood (CNC machining centres, grinding machines, multiple circular etc.). The products manufactured are of the highest quality and have a great design. Most clients (90%) are external customers (Germany, Austria).

As sources of stress on employees Romanian SMEs are considered to be:

1. employees do not have the freedom to work with each other;
2. personal conflicts arise regarding their activity;
3. managers and employees at all hierarchical levels do not communicate openly;
4. the employees do not have enough control over their work;
5. reduced material benefits;
6. insufficient budgets;
7. no reward for work well done.

When SME employees are stressed, the brain stops functioning properly, intellectual abilities, psychological and behavioural compromised. This makes the employees to be more vulnerable to accidents and illnesses, leading to poor professional performance.

Thus, when employees are stressed because of their work, or under time pressure, they often ignore procedures that provide safety at work, considering they do not have enough time for these aspects of safety labour. Because stress compromises and personal skills, clear thinking, they do not think about the possible consequences of insecure practices applied in the workplace.

Another component of stress affecting employees an SME activity is overload work. In this case they will rush trying to meet as many of the tasks set. This leads to increased chances of mistakes in business.

When they are stressed, employees become defensive; they rejected their help considering it as an attack. It is difficult for them to appreciate the team spirit, which would be helpful to work safely.

Stress acts on the brain to affect body movement coordination. It is affected in this way, downward, hand and eye coordination, which affects the activity of employees.

When employees are stressed, often have difficulty concentrating because they are focused on their source of stress and less on the activities that need to realise.

To reduce employee stress in the workplace, SME managers should reduce their work load level. They have created organizations where employees are motivated, convinced of the importance of their work, excited about the activity they undertake. When employees of a Romanian SME feel all of these, they are able to obtain performance at work.

For as employees to work without stress, managers must identify all sources of stress in the enterprise, investing time and resources to it.

Working without stress in a company means going through several stages, which are shown below.

The first step is to offer employees greater control over labour as they perform, what they supply a quality work, achieving performance at levels of low stress.

A second step is to ensure that every employee is at work that suits him best, in terms of training and skills acquired.

Clear and regular communication with staff managers, removes a big source of stress, so employees finding the level of performance that must achieve at work, this helping employees to achieve good results in the long term. Communication with employees makes them feel and think as a part of an enterprise, acting in their work with more care and professionalism, creating high quality products and services.

SME managers should encourage employees to feel free in their work and help each other, thereby reducing the negative effects of stressful situations that may arise at employees work.

Employees, helping themselves as a family, remove daily stress, without compromising physical, mental or emotional.

Managers, working with employees to create flexible workplaces, enabling them to balance work and personal life, it provides employees reduce stress and increase the quality of their work.

Mental wellbeing is important for good health and a better quality of life in which individuals can demonstrate their potential, can cope with the normal stress of life, and can work efficiently.

Mental health promotion can contribute significantly to achieving healthy workplaces that can be obtained through:

- the introduction of flexible work schedules;
- providing support in problems of personal life such as access to childcare;
- organization of training in awareness of mental health problems for managers and employees;
- free counselling and psychological support free;
- providing the necessary support for employees to be able to make physical exercises.

Managers on all hierarchical levels are responsible for the implementation of a plan to prevent /reduce stress, allowing them to work and to create a healthy psychosocial work environment. Adopting a proper attitude and promoting a motivating work environment, managers of SMEs will not only allow employees to issues, but will encourage them to help identify solutions.

Understanding the difficulties of employees outside the workplace, although is not part of the legal responsibility of the Manager, in its relationship with them, will help build a motivating work environment, as well as creating opportunities for social interaction outside of the work. Mid-level managers have a key role as daily interaction with employees; they should be encouraged to develop their skills by creating a favourable climate of work, with as little stress.

A good manager stimulates and encourages team members to work to achieve common goals and general benefits and assume responsibility for their work.

*A good manager will encourage team spirit and high morale and get all the best for the team.*

## Conclusions

Efficient management of stress creates a healthy work environment where employees feel valued and where workplace culture is positive, therefore the economic results are better.

For SMEs, the negative effects of stress in the workplace lead to overall poor economic performance, increased absenteeism, employee illness and higher rates of accidents and injuries. Periods of absence tend to be longer than those caused by other causes; stress at work can help increase the rate of early retirement.

Estimated costs resulting from installation chronic stress among employees, SMEs and society are significant, reaching billion nationally [5].

It is good to eliminate the stress before it dominates us!

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## Quality Performance Analysis. Case Study - Schlumberger Company

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### ABSTRACT

Quality requirements are expressions of needs that relate equally to the market (the default), the contract (explicit), internal enterprise profitability requirements and the requirements of the protection of society and the environment. For this reason, the requirements can take many forms as it relates to performance, reliability, cost-effectiveness, economic aspects of achieving cost and maintenance and operating environment.

Quality control for overall company is an integrated concept that is based not only on mastering quality throughout the manufacturing of a product, but also controlling costs, quantities and delivery dates.

The concept of "zero defects" everything must be done right the first time and every time, that goal can be achieved only by removing the two main causes of waste generation or insufficient level of knowledge and carelessness.

Paper presents case study to Schlumberger Company.

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## **Introduction**

In the current socio-economic context, the quality of products has established itself as a determinant of the competitiveness of enterprises because it provides the ability to adapt to the increasingly dynamic markets.

Quality requirements are expressions of needs that relate equally to the market (the default), the contract (explicit), internal enterprise profitability requirements and the requirements of the protection of society and the environment. For this reason, the requirements can take many forms as it relates to performance, reliability, cost-effectiveness, economic aspects of achieving cost and maintenance and operating environment.

Quality control for overall company is an integrated concept that is based not only on mastering quality throughout the manufacturing of a product, but also controlling costs, quantities and delivery dates.

The concept of "zero defects" everything must be done right the first time and every time, that goal can be achieved only by removing the two main causes of waste generation or insufficient level of knowledge and carelessness.

This theoretical concept should be applied in practice at all stages of making a product, generating a set of five significant zero: zero manufacturing defects, zero delays in product delivery, zero stock, zero paperwork informational zero feathers in operation of machines, the which normally should lead to zero complaints and zero evident dissatisfaction from the customer, and this is the main objective of total quality.

It also cannot ignore the social aspects of the enterprise. Normal working conditions and good corporate social image is obtained by applying zero accidents, which would lead to better social protection of personnel, to improve working conditions. Of great importance in terms of production efficiency and a favourable social image has successfully applying the method zero conflicts.

## **Industrial Excellence**

Industrial Excellence means ensuring success in the competition by making high-quality products, in terms of efficiency for the enterprise to be offered to customers at minimum cost and in a short time.

Politics excellence means exceeding customer expectations, their employees and competitors. Excellence strategy attempts to find a way of achieving concomitant threefold: maximum results quality in minimum time.

As this requires a number of managerial attitudes such as:

- Preference for quick action;
- Attention to the views of customers;
- Promoting innovative spirit;
- Instilling motivation performers;
- Identification of core values around which to mobilize employees;
- Create simple organizational structures;
- Creating a flexible work environment.

At the same time have identified some skills absolutely mandatory that a manager must have, namely: creativity, sensitivity, adaptability vision. Gaining these skills is through training.

To achieve excellence should be an increase overall activity translated into an increase in their assets, the ratio of real value / marginal value of shares, dividends paid, capital and sales efficiency. Appreciation of excellence is by analysing the quality of management, product quality, financial soundness, ability to raise funds, develop competence, responsibility shown towards the environment.

Analysing these issues and trying to highlight just those fundamental excellence strategies can appreciate that concern: continuous innovation, internal synergy, quick reactions, and partnership with beneficiaries and providers.

## **Principles of Total Quality Management**

1. Compliance with quality requirements throughout product realization path involves addressing each activity closely related to upstream and downstream activities, client-grossing foreign supplier at all functional and operational linkages of the organization.

Each compartment or worker must be regarded as an internal customer and internal supplier whilst in its relations with other departments / employees.

2. Culture quality. Application of total quality management in an organization involves the development of a quality culture by promoting a new system of values centred on quality, based on a new style of management with creative features, participatory, linking business objectives with the interests of employees.

Developing quality culture requires adopting specific actions and attitudes such as:

- Implementation of a new philosophy to customers, employees and suppliers, the customer is considered the main element that employees represent the most valuable asset and suppliers are viewed as extensions of the organization;
  - Promoting the concept of Kaizen, which means a gradual improvement continues of how to perform the work, with the objective of raising the quality of work of each individual;
  - Promoting the concept of zero defects ensure work orientation towards prevention of damage both to the operations or phases of technological and deficiencies in the functioning of various departments;
  - Creating a working environment based on respect, trust and credibility through accurate information up and down, encouraging ownership of responsibilities, effective communication and constant both between employees and between management and employees;
  - Permanent involvement of every employee from the top leadership of the organization, all departments and each employee in achieving and improving quality;
  - To promote teamwork at all hierarchical levels of the organization.
3. Developing human resources, the human factor is considered central to the process of achieving quality, based on the premise that ensuring coherence worker-machine method in relation to the enterprise environment is the determining factor in the development of processes to standards of quality.

Human resource development can be divided into the following three categories of activities: training and development, organizational development, career development.

Provides training activity providing knowledge and skills needed to meet the demands of a job while preparing employee development activity to meet future responsibilities within the organization and reported at both the employees and managers.

Organizational development improves organizational efficiency by means of behavioural science to the human factor. This involves a range of activities such as:

- Changes in the behaviour of the human factor by training and consultation of employees, establishment of work teams;
- Structural changes in their job analysis and redesign;
- Analyse problems through the application of modern management methods and techniques.

Career development is a continuous process through which individual progresses along a series of professional stages, each stage having its particularities regarding the matters and issues resolved

The concept of total quality management through human resources development must ensure closing the gap between the actual and the required level of knowledge and skills of staff by creating learning opportunities for every employee in the enterprise.

4. Organizational development through changes in the behaviour of the human factor and develop a quality culture based on employee involvement and better communication between them, are elements supported by a corresponding motivation. Practice has shown that big business is driven by the motivation of workers applied management style and leadership traits of community.

To get to master quality requires quality management to ensure on going information, training, motivation and empowerment of the human factor.

### **Quality Performance. Case Study - Schlumberger Company**

Founded in 1926, Schlumberger is a global leader in providing technology, integrated project management and information solutions to customers working in the oil and gas industry worldwide. At December 31, 2008, the company employed approximately 87,000 people from over 140 nationalities operating in approximately 80 countries. Schlumberger has principal executive offices in Paris, Houston and The Hague, and is comprised of two business segments - Schlumberger Oilfield Services and WesternGeco. Schlumberger Oilfield Services offers the largest range of products and services from exploration to production worldwide, while WesternGeco is the most technologically advanced surface seismic acquisition company.

Schlumberger Oilfield Services is a global leader in providing technology, integrated project management and information solutions to the international oil and gas industry, both exploration and production TLS. Schlumberger Oilfield Services manages its business through GeoMarket regions, which are grouped into four geographic areas: North America, Latin America, Europe / CIS / Africa and Middle East and Asia. GeoMarket's structure offers customers a single point of contact at the local level for local operations and brings together specialist teams in a particular geographic area to meet local needs and provide customized solutions.

Schlumberger invented the electric logging (wire line logging) as a technique for obtaining data in oil and gas wells. Today, Schlumberger Oilfield Services operates in all major markets oilfield services, delivering services that cover the entire lifecycle of the reservoir. These services, in which Schlumberger has an impressive number of leading positions, are organized into technology centers based product lines and services or technologies to harness and focus the maximum available technical knowledge and to introduce innovative solutions in GeoMarket regions.

Technologies are also responsible for overseeing operational processes, resource allocation, staffing and quality, health, safety and environmental GeoMarket.

Technological innovation, service quality and price differentiation are the main methods that differentiate from the competition, and they vary in geographically depending on the services offered. Although there are numerous competitors both large and small, Schlumberger believes it is a market leader in providing electric logging, well testing, measurement while drilling, logging while drilling, directional drilling and logging services Geoscience and fully automated software and computing services. Much of Schlumberger offers are not related to wells; consequently, revenues do not necessarily correlate with the number of wells serviced.

### **SWOT Matrix**

Every company exists to create profit for its shareholders. Each company chooses from several options to best achieve its objectives. The path chosen is communicated to shareholders, employees and customers through the enunciation of policies, mission and vision of the company.

Guided by this vision, marketing managers make a strategic analysis of internal factors (strengths and weaknesses - "Strengths and Weaknesses") and external factors

(opportunities and threats - "Opportunities and Threats") to determine the market segment to be served.

This strategic analysis is called SWOT (Strengths, Weaknesses, Opportunities, and Threats). After completing this step, marketing managers develop a marketing strategy specific form segments, sometimes called competitive strategy, for the markets of interest.

- Strengths
  - Technological Superiority
  - Strong market position - leading Oilfield Services
  - Steady increase revenue
- Weaknesses
  - Decreased revenues in WesternGeco
  - Operating margin declining
  - Poor growth rate in North America
  - Almost absolute dependence on oil and gas
- Opportunities
  - Agreements with ONGC
  - Strategic Acquisitions
  - Agreement and mergers (last merger: Schlumberger and Smith)
- Threats
  - Intense competition: Baker Hughes, Weatherford, Halliburton
  - Environmental Laws
  - Macroeconomic factors adversaries
  - Oil price instability
  - Political Risks

### **The Quality Management System at Schlumberger Company**

Long-term business success of the company depends Schlumberger ability to continuously improve products and services, while protecting workers and the environment in which they work and live. It is a commitment that protects the best interests of customers, employees and shareholders.

QHSE (Quality, Health, Security and Environment) is the responsibility of line management, with the support and active engagement of all employees. The goals pursued are:

- Providing quality products and services at the highest standards;
- The protection of health, safety and ownership of employees, customers, contractors and others
- Protecting the environment in the communities in which the company works and operates.

The company is committed to proactive integration of QHSE objectives into management systems at all levels, actively reinforced by rewards and recognition programs specific. This is crucial for business success because it reduces risk and provides a valuable addition Schlumberger products and services compared to the competition.

The company's vision is to implement a culture of quality services to overcome the expectations of customers, and to allow all employees to be actively involved in the continuous improvement process, and enhance growth.

To implement this vision, the company is committed to:

- To define and respond to customer expectations
- Adapting to changing and expanding business conditions and market opportunities
- Differentiation its services competition
- Reaching a leadership position in the field of QHSE industry.

Mission QHSE is to ensure that the quality, health, safety, security and environmental considerations remain top priorities for the management and all employees. Preventing accidental risks and losses from non-standards becomes an integral part of the culture of continuous improvement.

QHSE, line management responsibility requires visible commitment, leadership and involvement in their model. Proactive QHSE culture must be understood, shared and practiced by all employees as part of everyday activity. A fundamental concept for this culture is the belief that all losses of people, property and process management are the consequence of failure and can be prevented.

Schlumberger specific QHSE Management System defines the principles by which the company conducts its operations worldwide in terms of quality services and products, health and safety of customers, employees, contractors and the communities in which the company works, and environmental protection.

This QHSE philosophy is communicated to all employees, customers, contractors and third parties associated with Schlumberger operations, and each group of products and services from Schlumberger must provide positive evidence of conformity to management system.

The type QHSE management system comprises eight components:

- Commitment and leadership by example;
- Policies and Objectives
- Organisation and resources;
- Managing contractors and suppliers;
- Risk management;
- Design and Planning;
- Implementation and monitoring;
- Evaluation and continuous improvement.

## **Conclusions**

Corrective actions and training programs continue to be implemented in all locations, and cover all employees and customers, and a culture of "no blame" that encourage employees to report problems and suggest improvements to standards, processes and existing systems .

All reports of noncompliance QHSE and suggestions will be considered and closed in a manner demonstrating the confidence and commitment to the improvement in QHSE. Regular feedback from field operations and from clients on the quality of products / services is encouraged, reviewed by management and documented to ensure development and continuous improvement.

Will be put in place systems to identify customer needs and technical developments of the competition. QHSE function will support line management in analysing problems and developing plans to improve on customer needs and new technologies. Regular assessments of the quality of customer service will be held as part of the on-going quality improvement.

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## Impact of Population Ageing on the Labor Market. Active Ageing and the Necessity to Increase Solidarity Between

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### ABSTRACT

UE population is undergoing an intense process of ageing because of the considerable progresses of the society and concretized in a mortality rate substantially reduced and a higher life expectancy. The average lifetime of the Union is now of 39.8 years, but according to an Eurostat estimation, in 2060 this average will grow to 47.2 years and the segment of population over 65 years will grow with approximately 2 million persons/year. Under these circumstances, the ratio between active working persons and elderly will grow from 1:2 to 1:4 from this perspective.

The demographic ageing process represents, under the current context, a real challenge for labor market, for the health system and life quality after retiring. Promoting a life environment where "getting old" is not a synonym to "being dependent on the others acquires a special importance, "active ageing" becoming a reality and a necessity of these days.

This study is aimed at making an analysis of the current status of the labor market and points out the necessity to reform it by implementation of the concept of active ageing, result of increasing the participation level of elderly in all the fields of activity of the society.

It also points out the main measures and actions to be taken in this sense, in the near future.

### **Concept of Active Ageing and the Necessity to Reform Labor Market**

The concept of active ageing supposes preserving the health condition and the status of active members, financially independent and involved in the social life, regardless the age.

The World Health Organization defines active ageing as being the process of optimization of opportunities related to health, social participation and safety, in order to improve the quality of life of elderly.

The United Nations Organization was the one that adopted the expression "active ageing" at the end of the '90s, in order to transmit a message more comprehensive than "healthy ageing" and to acknowledge also other factors – not only health and care – affecting the way in which individuals and populations are ageing.

The approach of active ageing is based on the acknowledgment of the rights of elderly and moves the barycenter from the needs-based approach to the rights-based approach, which acknowledges the right to equality of opportunities and treatment as they are getting older.

The commitment of the European Union towards “active ageing” is based on its essential values, as defined in the treaties. According to the Lisbon Treaty, the European Union is based on valorization of human dignity, liberty, democracy, equality, rule of law, as well as compliance of the human rights.

Also, UE combats social exclusion and discrimination and promotes social and protection justice, equality of opportunities, between women and men and solidarity between generations.

The most powerful and explicit manifestation of such values is expressed in the Charter of Fundamental Rights of the European Union, whose compliance is mandatory and applies to all member states.

### **1. EU legislation and Charter of Fundamental Rights of the European Union in support of active ageing**

EU, although it has a limited competence in various key-domains of active ageing, it can significantly contribute to the support of the actions taken in the member states, by specific instruments, as for example: European legislation; EU funding by structural funds and the cohesion fund; European initiatives in terms of research and innovation; numerous strategies, programs, processes and initiatives at the community level aimed at enhancing mutual learning between the member states and regions.

The implementation of the core values of EU defined in treaties involves the approach of various types of discrimination, including age-based and disability-based discrimination.

The Treaty of Lisbon from 2009 acknowledged the fact that the “Union is based on the values of human dignity, liberty, democracy, equality, rule of law, as well as compliance of the human rights (Consolidated version of the Treaty on European Union, art. 2)... The Union combats social exclusion and discriminations and promotes justice and social protection, equality between women and men and solidarity between generations.” [European Commission, 2012]

The approach of age discrimination on the labor market is essential for achieving active ageing within work force employment.

The Charter of fundamental rights of the European Union, which is mandatory from the legal point of view for the actions of any UE entity, being also applied to the member states in their implementation of UE legislation, contains additional rights, relevant for the objectives of active ageing in domains as gender equality, social security, medical care and education.

Therefore, Article 21 concerning non-discrimination, any discrimination based on any ground such as sex, race, color, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be prohibited.

Article 25 also refers to the rights of the elderly to lead a life of dignity and independence and to participate in social and cultural life.

The European Union signed the UN Convention on the rights of persons with disabilities, covering individual autonomy, non-discrimination, complete and effective participation in the society, equality of opportunities and accessibility, being key-aspects of active ageing for many persons who suffered a physical incapacity or developed various types of disability.

In 2000, EU adopted the Directive 2000/78/CE of the European Council, creating a general framework to combat all kinds of discrimination on grounds of religion or belief, disability, age or sexual orientation in employment and occupation. According to the same, member states have the obligation to consider illegal any unequal treatment of persons, including on grounds of age and disability, in the field of hiring, work force employment and non-salary activities,



including in terms of selection criteria, promotion, professional training, working conditions and affiliation to any organization.

In addition, Article 6 (2) of the Treaty on European Union commits EU to the adherence to the Convention for the protection of Human Rights and Fundamental Freedoms of the European Council, setting up the European Court of Human Rights.

The European Commission also created e-Justice portal in order to help people understand the rights conferred by such instruments and the way in which they can be enforced.

More than this, 2012 was designated as "European year of active ageing and solidarity between generations", promoting this concept in three fields of activity: employment, participation in the society life and independent living.

## 2. Reform of labor market by increasing the participation rate of elderly

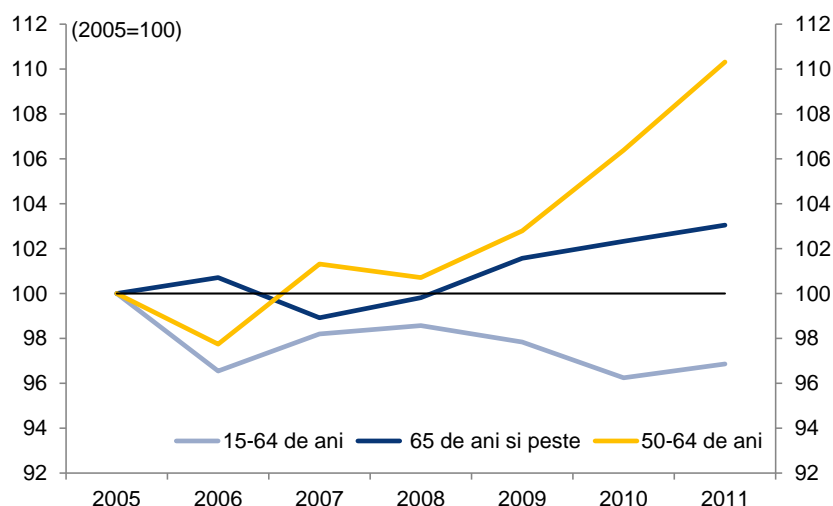
In terms of employment, within the current demographical context of increasing life expectancy and ageing rate of population, Europe should focus on improving professional perspectives on elderly.

Demographical change can be managed by a positive approach, based on the potentials of old age groups. Providing sustainable alternatives on the labor market to people over 50 years represents a priority for Romania, considering that inactive population in this age group grew strongly after 2008 because of the retirements made by virtue of economic recession (figure 1).

EU also aims at valorizing the participation to social life of elderly, by encouraging authorities to create a favorable framework pointing out the play of elderly in the society and better conditions for their health, an independent life by adopting some measures in order for the environment to be more adapted to people with health problems and disabilities.

In spite of the fact that the health conditions get worse while getting older, the states of the European Union should adopt measures and regulations enhancing us to live more without being dependent on others.

An important effort is the change of the perception according to which old people represent a burden for the society and pointing out the potential and opportunities they have and not their lacks and obstacles. To enjoy a more active and successful life at any age is for our personal benefit and also for the benefit of the society as a whole!

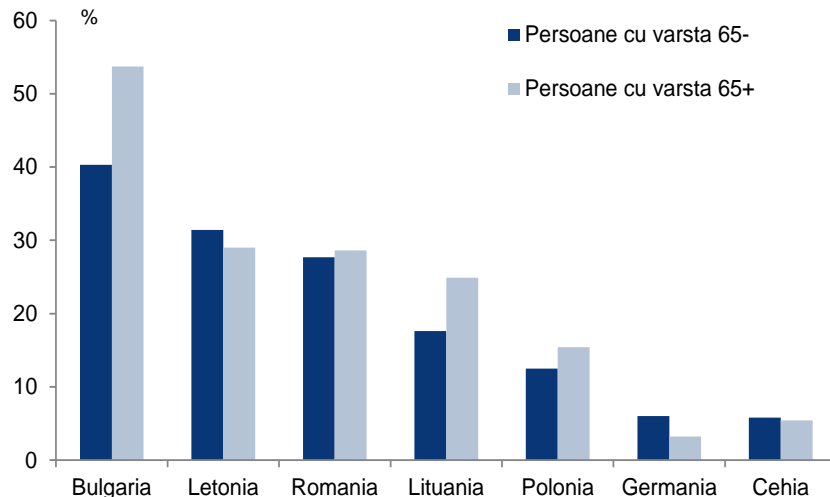


**Figure 1: Inactive population according to age categories**

In 2011, 29% of the total Romanian population was affected by a severe material poverty. The vulnerability of elderly in front of severe material poverty is slightly higher than that of people under 65 years. The main answer of authorities should be in the sense of development of

economic fields which may reduce poverty (market-oriented agriculture) and only subsidiarity in the sense of granting social benefits (figure 2).

As the share of persons affected by poverty is much higher in old population, creating a better society both for people getting older and also for young people, should represent a desideratum of these days.



**Figure 2: Share of persons affected by severe material poverty in the total population according to age (%)**

Therefore, the concept of active ageing is situated in the middle of a positive reaction towards demographical changes, which is essential for preserving solidarity between generations. So, active ageing supposes three main dimensions:

- overcoming structural barriers, gender differences, by creating possibilities in order for both women and men to remain as much as possible in the active life of the labor market, which creates advantages both at the level of the system and also at individual level;
- providing a social environment which should valorize the possible contribution to the society both of old women and men;
- creating the conditions to maintain themselves healthy and to live independently as they are growing old, by an approach of active ageing although their life, combined with adapted houses and favorable local environments allowing old persons to remain as much as possible in their own houses.

The modernization of the tax system, increasing the retiring age and the number of public-private partnerships are some of the solutions for governments of the entire world to face the ageing trend of population and the global level.

According to a study made by Deloitte, global ageing will determine governments to reanalyze the services provided to citizens and the modalities of funding the public services.

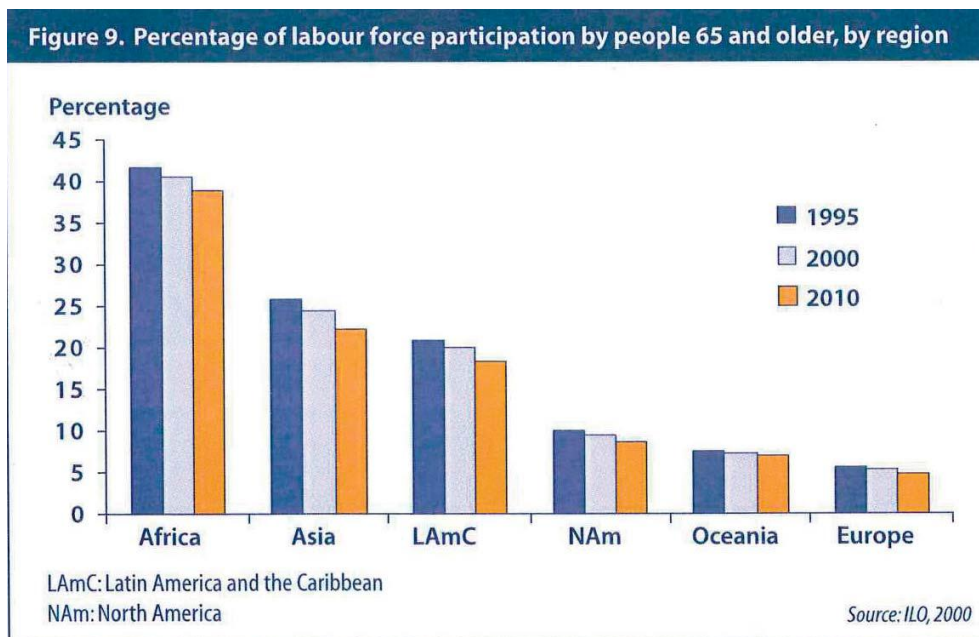
The erosion of tax revenues derived from taxes might be counterbalanced by increasing the average retiring age.

Active ageing represents an essential component of the strategy Europe 2020, whose success depends to a great extent on the creation of the possibility of a full contribution of the elderly inside and outside the labor market.

Analyzing the situation at the level of 2010 as compared to 1995 and the trends of 2010, in terms of the share in work of population aged 65 years and more, there is a considerable decrease in most areas of the world (Figure 3).

In this interval Europe is facing the lowest levels of participation of elderly, up to 10%, as compared with countries of Africa (approx. 40-43%) , Asia (approx. 23-25%), as a result of the low retiring ages, early retiring and poor health condition of the existing population especially in underdeveloped countries, being in a transitional period. Please note that the situation got worse, as a result of the economic crisis, which determined the necessity to reform the pension systems and to find efficient solutions to increase the level of involvement of elderly in all the fields of the economic, political and social life.

In this, according to the results of a Euro barometer study made in 2012, most Europeans (60 %) reject the necessity to increase retiring age.



The strongest rejection was recorded in Romania (87 %), Latvia (86 %) and Slovakia (83 %), while in countries as Denmark (58 %), Netherlands (55 %), Ireland (53 %), United Kingdom (51 %) and Austria (49 %), most respondents approved the necessity to increase the official retirement age.

This rejection does not necessarily mean that Europeans are not prepared or ready to take into consideration the possibility to work more years. Approximately 61 % are in favor of the idea to continue the activity also after reaching the official retirement age, and 53 % reject the idea of an age when retiring is mandatory.

Active ageing represents therefore the basis of solidarity between generations and is a target of the European Union written in Article 3 of the Treaty of Lisbon.

### **Participation to Labor Market. Impact of Population Ageing**

The phenomenon of world population ageing has an impact which will be felt also on the labor market by decrease of the employment offer and labor productivity.

In this context, it becomes extremely important to encourage high employment rates of women and elderly.

In countries as Finland, France, Italy, Netherlands and Portugal, the potential of increase participation rates on the labor market of elderly is very high.

Blondal and Scarpetta [Blondal, Scarpetta, 1999] estimated that, by measures aimed at maintaining in the labor field of old men, increases of participation rates of 8 – 9% might be

obtained in such countries, while the percentage ranges between 4 – 6% in the other European countries and less than 4% in Japan and United States .

EU states don't succeed in maintaining old employees and attract young people in the labor market as good as USA [Turmam, 2006].

It is important that the policy of increasing participation rates to the labor market to be correlated to the factor of total productivity, the financial capital and the human one. Therefore, France, although it has one of the highest unemployment rate (approx. 9.7% on 2003) as compared to the OECD average of 6.9%, in terms of the productivity expressed in GDP/worked hour, it is among the first countries after Norway, Luxemburg and Belgium, exceeding USA and Germany[OECD, 2005].

The lowest productivity rates belong to Poland, Turkey and Mexico. Poland is the country with the highest unemployment rate (19.6% in 2003), while in Mexico the unemployment rate was 2.5%, one of the lowest ones, which means that in order to increase productivity, the increase of participation rates on the labor market is important but not enough.

### **1. Impact of the increase of the ageing rate of population on public finance**

The reduction of dependency rates means a reduction of the number of taxpayers correlated with the increase of the number of beneficiaries. The increase of public costs can induce a pressure on the public debt, as taxpayers are fewer and fewer, which means a transfer of the burden of population ageing over the further generations.

Ignazio Visco estimated that on a whole 40% - 60% of the total public costs are sensitive to population structure.

Down from 1996, Roseveare, and his workfellows, [Roseveare et al., 1996], further to the simulations made on 20 countries, member of OECD, identified the weaknesses of the redistributive-type pension system. So, countries with generous pension systems were to face increases of the public debts of pensions of approximately 15% as compared to 10% of GDP in other countries. Their studies reflect the evolution of the public costs of pensions in the eve of the retirement of "baby-boom" generation. Besides this scenario, Roseveare and his workfellows simulated, during the same period of time (1995-2070) another 4 ambitious scenarios 4 which are:

- late retirement scenario, which involves the gradual increase of the retiring age up to 70 years, in most countries of the study the pressure over public costs being counterbalanced;
- cost control scenario (the increase rate of public costs of pensions cannot exceed the GDP increase rate, starting 2015), in this case the tax implications being similar with the first scenario, except that the pension replacement rate is considerably reduced from approx 40% of the average salary, in 2015, up to 30% in 2030;
- the target scenario consisting in preserving the replacement rates constant starting 2010, provided that the share of elderly receiving a pension be gradually reduced by 30%, which means a limitation of public pensions to people with small incomes and a reorientation of people with average and high incomes towards pensions from pensions. As compared to the previous scenario the pension will be higher, but for fewer beneficiaries, the universality principle being therefore limited, pensions for everyone buy very small.
- the scenario of indexation with salaries lays stress on pension benefits, unlike the method of indexation with prices. In this variant pensions will be increased by 2-3 % of GDP.

Experts of OECD AND EU, in collaboration with the national authorities have also made studies showing average increases of public costs of pensions or approximately 3.2 – 3.5% of GDP and significant differences between countries. Therefore, in the conclusions of the meeting of the Ministerial Council of OECD dated 13-14 May 2004, the representatives of the countries

admitted that retirement models are grounded on counterproductive policies, which require change.

The correlation between life expectancy, the level of pensions and the retiring age is the one which will set the bases of a strong pension system [President of the Ministerial Council, O.E.C.C., 2004].

## **2. Impact of population ageing in the field of consumption and saving**

Keynesian theory on consumption claims that people increase their consumption as their income is higher, but not with the same rate, which means that, as incomes are higher, saving also increases.

On the other hand, Modigliani theory starts from the idea that people desire to ensure resources for the inactive period of their life is the basis of saving, while Friedman enunciates the permanent income theory, in which the individual calculates both the consumption and the savings, taking into account also the future expectations on income increase.

In conclusion, the lifecycle theory cannot be fully found in the real life, more specifically the theory according to which the individual accumulates enough savings to prevent the decrease of the standard of living after retiring, does not happen each and every time.

Please note that population ageing can also induce a decrease of dynamism in the area of innovation, or on the contrary, insufficiency of work force will stimulate innovation [Mustăţea, 2008].

Population ageing will generate a decrease of savings; the problem being to identify to which extent such reduction of savings will have a significant impact on economic growth and on the standard of living. The specialists' opinion in this sense are distinct, a part of them considers that the decrease of savings generates a reduction of investments and finally a reduction of economic growth and an increase of the standard of living, while the other part considers that as workers are less numerous, they will need less investments, and the reduction of savings as a result of population ageing will not affect the standard of living.

The results of some economic analysis [Marins, et al., 2005] pointed out the fact that an increase of the number of pensioners in the population structure has a strong negative impact on the saving rate, more than five times higher than the positive impact of the increase of the share of active population in the population structure.

Therefore, if in order to ensure sustainability of the pension systems, instead of increasing contributions, they would be maintained constant and the retiring age and replacement rates for the future pensioners would be gradually increased, savings would grow significantly during the following decades, due to the fact that each individual would act accordingly, in order to maintain the standard of living during the pension age [Fit, 2005].

## **3. Impact of population ageing on financial markets**

The impact of population ageing on financial markets mainly depends on the share that accrual pensions will have in the total incomes of pensioners. Therefore, the success of reforms in the field of pensions will depend on the future performances of financial markets, but also vice-versa.

Financial markets play a crucial role in global ageing, the capital being the factor with the fewest barriers of movement from one country to another and which allows the transfer of resources from a period to another.

By its free movement, the capital allows international diversification of demographic risks, and by time transfer it allows inter-temporal substitution of resources, even between generations [Borsch, 2004].

The increase of the number of pension funds may lead to a reassignment of savings to the detriment of the banking system, increasing the role of the instruments specific to financial markets.

Therefore a more diversified system is necessary, which should be based less on the banking system and more on the financial market.

## **Conclusions and recommendations**

In 2060, the ratio between persons of a working age and elderly will be of 1 to 2.

Demographic ageing in Europe supposes some challenges for the labor market, for the health systems, but also for the quality of life after retiring. Many people expect to a degradation of the quality of the life after retiring, others consider that pensioners will be concerned only by their own interests, therefore leaving on the shoulders of the young generation a heavy burden.

Should we be afraid for the future because our society is undergoing an ageing process?

Of course not, if we promote ageing in good health conditions, we create more opportunities on the labor market for the elderly, we remain active in the community and we promote a life environment in which "getting old" is not a synonym to "being dependent on the others".

Therefore, of "active ageing" becomes a reality for all of us, we have no reason to be afraid!

Starting from here, the European Union indicates a couple of action areas in relation to active ageing:

- work and employment, even at old ages;
- social participation and solidarity between generations;
- health and preservation of autonomy.

Together with the increase of the life expectancy, the retiring age also increases in Europe, in the same rhythm with the fear of losing the job or impossibility to find another one that would provide a decent pension.

So, old workers should be offered better opportunities on the labor market, as for example:

- *lifelong learning and development of new competences;*
- *optimum working conditions;*
- *strategies for managing the age pyramid in companies;*
- *specialized services employment for old people;*
- *combat of discrimination on grounds of age;*
- *Systems of social and tax benefits enhancing employment;*
- *transfer of experience, etc.*

Old people should have the possibility to work also after the retiring age!

The conclusions of the Euro barometer of the European Commission, held during the period September – November 2011, in UE member states as well as in Macedonia, Island, Norway and Turkey, concerning active ageing, indicates the fact that there are some barriers preventing the participation on the labor market of old people, such barriers mainly consisting of:

- *lack of training;*
- *lack of flexibility of the working hours, in the sense of progressive reduction of the number of working hours;*
- *negative perceptions of employers.*

The general opinion was that the retiring age should be equal for men and women, but without preventing individuals from working beyond the retiring age, if they want to.

In terms of people expectations concerning the end of the carrier, most respondents (70%) said that they expected them to be able to work until around 60 years.

Instead, there was a general disagreement concerning the maintenance of a distinct retiring age for men and women. Most respondents rejected the idea of a higher retiring age for women due to the fact that they have to take carrier breaks in order to take care of their children (81%) or due to the fact that women live more (83%). However, 62% of the respondents do not agree with a smaller retiring age for women either.

Asked if people should have the possibility to keep on working beyond the official retiring age, 61% of the respondents agreed with the idea, and 33% placed themselves at the opposite pole. There were big differences at the level of states: 93% of the Denmark respondents and 91% of the Netherlands answered that people should be entitled to keep on working, and 71% of the Greek respondents and 66% in Slovenia considered that people should give up their carrier when they reach the retiring age.

The conclusions of the survey show that 54% of the respondents would not want to work anymore after retiring. Also, 65% would sustain that the variant to combine a part-time job with a partial pension is an alternative to full retirement.

Retiring should not mean lack of activity. In terms of solidarity between generations, there are two forms of solidarity, the family one, providing the transmission of values to the next generations but also of the financial resources and public solidarity providing financial transfers from active adults to the elderly.

The two forms of solidarity overlap and must complete each other.

Also, it is acknowledged the fact that the ageing process is the real problem which makes old people vulnerable, but their capacity to cope with the society conditions with their incomes.

This is why we need: to ensure the security of incomes when we grow old; support for social participation and volunteer ship; support granted to the elderly taking care of another person; to ensure an equilibrium between the professional life and the duties towards the dependent person; solidarity and dialogue; to overcome differences concerning the use of new technologies.

Besides the increase of life expectancy, the decrease of the birth rate puts an additional pressure on the pension and social security systems, because there are fewer and fewer employees who have to support, for a longer period of time, one or even more pensioners.

In this context, the restructuring of the pension, health and social security systems is required, especially when demographic evolutions bringing an even higher life expectancy and a decreasing birth rate result in a less and less numerous work force which will have to fund the entire system.

The introduction of reforms in the pension system based on individual savings for own pensions also result in an additional burden for younger employees, who have to fund the current pensioners but also to save money for their own life.

A solution to improve this situation would be to increase the quality of life of elderly by shortening the years of suffering, meaning by an ageing as healthy and active as possible.

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## 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**

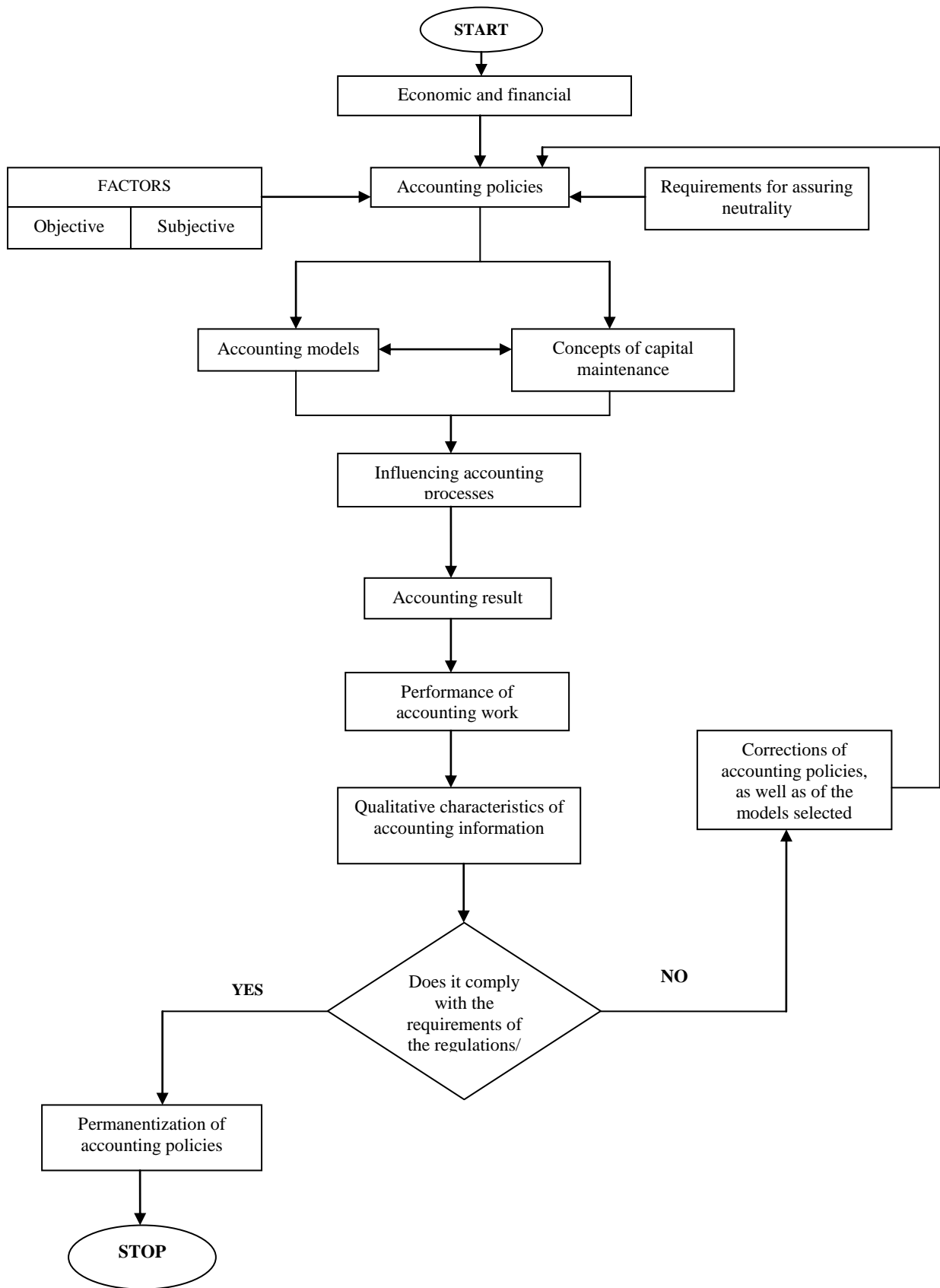
The debate of this issue starts from the general definition of the accounting result, i.e. "the difference between the company total revenue and total cost" (Mihai Ristea, Corina Graziella Dumitru, Bucharest, 2011, page 15), as well as from the profit and loss account as the primary indicator of company 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.

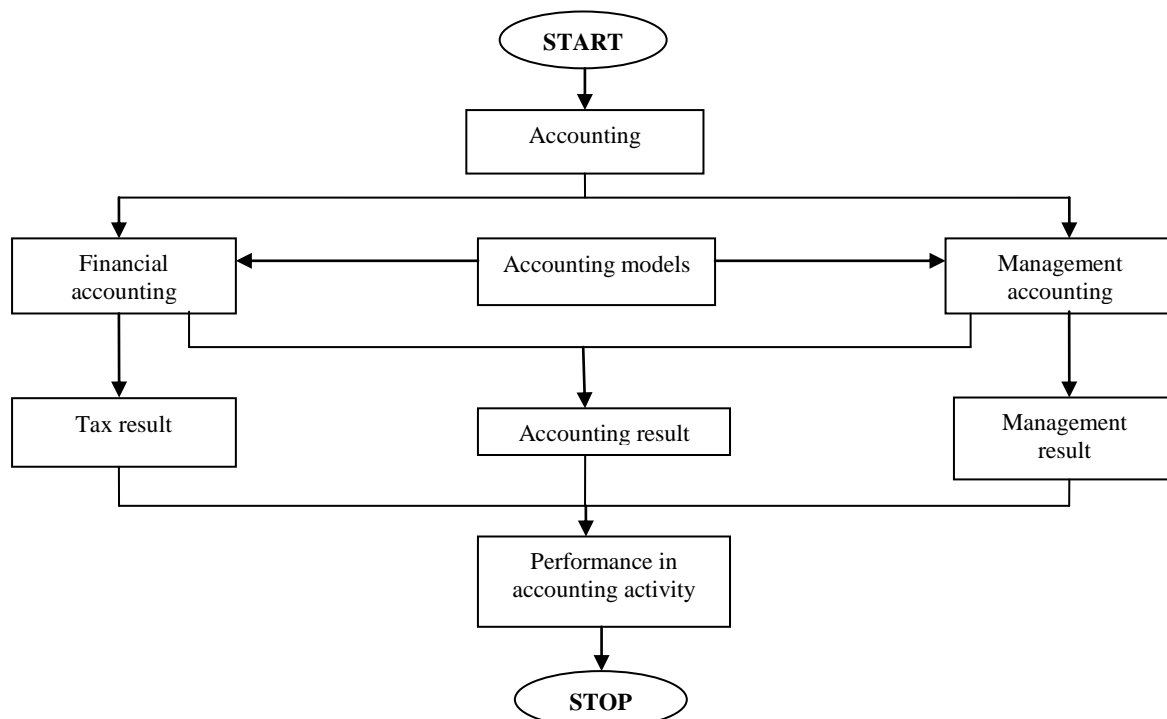
Such issues can be also seen in cases of corruption and abuse of office, whose common denominator is the use of accounting manipulations, instruments of justice, which, by their amplexness, reflected by the media, indicate the extent to which they affect the national interest, ultimately.

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 implication up s 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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