

THE ROLE OF THE ACCOUNTING PROFESSIONAL IN THE MANAGEMENT OF THE ECONOMIC CRISIS

Camelia Mirela BABA¹

Abstract: *The present paper is focused on the accounting professional's role in the management, confinement and lessening of the consequences of present economic crisis. The article presents some considerations about how the financial – accounting information can be used by an economic entity in order to survive the recent changes within its economic and financial environment.*

Key words: *professional accountant, financial crisis, managerial decision.*

1. Introduction

The accounting professionals have an important role, as they ensure the credibility of the accounting statements, and the accounting profession must take an active part in the counseling of the businessmen and be a support for the evaluation of the present and future events. The most discussed problem of the present time is the financial crisis, which inevitably affected Romania as well, and the accounting profession could be considered an essential element in the minimalization of the effects of the crisis. The present crisis leads to an increase of the need for quality accounting services, enhancing the role of the accounting inside the entity, transferring over to him some of the responsibilities of the management.

2. The importance of the accounting and financial information in economic and financial crisis situations

The present economic situation determines the companies to search for solutions to continue their activity in optimal conditions to avoid bankruptcy. The businessmen should be aware of the great importance of the accountant for the financial management, as well as for the monitoring the health of the company and increasing of the lucrativeness of the company they manage. The accounting professional can be consulted in order to optimize the costs, to find proper solutions for assets management, debt restructuring, a better management of the cash flow and, not the least, for the drawing-up of the financial statements. The economic instability make some measures necessary, as the strict control of all the economic operations, a responsible resource management, filtering and lowering the

¹ Department of Economic Sciences and Business Administration, *Transilvania* University of Braşov.

costs, within the possibilities, and the adjustment of the strategies to the new market conditions. Below are mentioned a few of the financial-accounting solutions to be considered by an accounting professional in order to diminish the effects of the crisis at the company level.

To respect the accounting standards

First of all, the accounting professional must make sure that the accounting standards are respected for each situation they analyze. The importance of complying with the accounting standards, foundations of the independent accounting profession, is the warrant for a modern and achieving professionalism, capable to answer to the most pressing requirements. Building the trust in the national regulations, but also in the International Accounting Standards are other responsibilities of the accounting specialist. In the present situation, of economic instability, it is crucial to find the legal possibilities that an economic entity has in order to save time and money, and not only does the real accounting professional work accurately, but he is also needed to counsel his clients about the opportunities offered by legislation.

To assess the tangible assets of the company

The accounting professional has the responsibility to prudently verify the sums in the statements of the company, to reevaluate all the previous estimations referring to the assessment of the assets from the balance, because the future economic benefits coming from the assets' estimation may differ comparing to the previous years. On the other hand, according to the current accounting regulations, the accounting value of the assets cannot significantly differ from their just value (according to IAS 36, 'Impairment of Assets'). In this respect, the impairment test can be applied to check if the carrying amount may be in excess of

the greater of the net selling price and the value in use of those assets.

To calculate and rationalize the costs

The economic and financial crisis obliges to a detailed analysis of the production, sale and management costs. For this matter, the management accounting is a source of information at hand for managers, revealing them the key aspects of the activity of a company which provide them support for planning, organizing and control of the activity they manage. Accounting management provides information required by managers to survey the production process and creates the premises for keeping track of the expenses and actual salaries at the level of the productive unit.

The manufacturing costs are important due to the fact that they determine the price and, hence, the price decisions are based on them. The managers analyze most often the possibility to economize, especially on the level of the employed staff, but also on the level of administrative costs, such as office rent or commuting expenses (daily allowances, lodging). One solution could be the limited employment, the limited employment contract. It would be recommended to start cost and profit centers. A distinct department as a cost center the cost can be much more easily and identified and more objectively distributed, and the profit centers are able to identify the profitable activities.

To calculate and analyze the sales figure

A skilled accounting professional can also be a good financial analyst. He is able to and must analyze the financial-economic state of the company, to analyze its costs, revenue, sales figure, to determine the cash-flow, to find ways to maximize its profits and solution for any occurring problem. The analyze of the sales figure on the level of the clients, of the stages of the products' life cycle, reported to the demand and the production

capacity direct the decisions about the future placement of the economic agent. The accounting professional is able to inform the management about the ranking of the sales figure, regarding the overall activity or the products, about the ways to increase profits, the main sources of revenue and ways to vary it. A lower sales figure during a period of crisis does not necessarily mean that the company has become less competitive, but it indicates a transformation of the volume of the entire market that imposes an adjustment of the activity to the reduced demand of the respective period.

To analyze the liquidity and solvability

Managers need information about the financial risks, counseling about credit opportunities, warning about the virtual insolvencies, they need analyses of the solvency, liquidity and financial flexibility of the company, etc. During a period of economic crisis, the most frequent problem the managers have to face is the lack of liquidities. The accounting professional is able to minutely analyze the causes that could lead to lack of liquidity. Every business decision aimed to protect against economic crisis has financial effects, and that is why the managers must have accurate calculations in order to direct the resources towards those actions that are able to maintain liquidity and safeguard the company beyond the dangers that can appear in the macroeconomic environment. Thus, it is necessary to make available for the managers a detailed and multipurpose analysis of the claims and debits of the company. The clients and accounts receivable of the company must be closely surveyed, especially in order to determine their financial status and to decide accordingly whether to continue or cease the relationship. During a period of economic crisis, it is also advisable to access inexpensive financing sources, to re-finance the existing loans for the lowest

costs possible, to finance the investments from long term (or at least six-month term) investment loans.

To suitably manage the cash-flow

Most of the financial problems the companies have are connected with the drop of liquidity due to improper matching of the cash receipt and disbursement. The cash receipt and disbursement must be matched in time, so that to keep the company out of trouble and to ensure the equilibrium of the balance of payments, which is absolutely necessary in order to increase the capacity to create profit of any monetary unit. The accounting professional is the one who counsels the manager and help him understand the difference between cash-flow and profit. Errors of profit forecast may appear, due to independent causes, which can cause the profit to be present in writing and not in fact, as cash. The accounting professional, together with the head of the institution, can set out a corresponding management of the cash-flow, by careful choice of those providers who promptly deliver the orders, so that the activity can function with minimal stocks, by organizing efficiently the collection of the value of the merchandise sold, ensuring a minimal period for debt recovery in order to avoid the risk of deficit of liquidity, by simplifying and speeding the operations of cash and payment and comprising the cycle of buy-pay-sale-cash. Managers need to ask all the time information about the fluctuations of the available cash to be able to find opportunities of profitable investment when the cash allows or to remedy the situation in case of deficit. Planning of treasury on terms of payments and revenue will lead to the increase of outcome and of profitability of an economic entity. As during the crisis the cash-flow of the economic agent cannot be regular, some of the activities have to be reorganized and some solutions are

imposed, such as: leaving off all the unnecessary expenditures, stocks optimization, a credit policy which could stimulate payments, etc.

Fulfillment of predictions

Prediction, but more than that, planning are mental creation activities through which the managers, regardless of their hierarchical level, connect the necessities and the opportunities to the present and past reality. Prediction is one of the basic functions of accounting, involving the perception of the future economic events and economic process based on financial information within a relevant time limit. In order to obtain a realistic prediction, the accountant must consider the financial state of the company, of the third parties and the governmental policies.

3. The accounting professional – warrant of the quality of the accounting information

The competence and qualities of the accounting professional

During the economic crisis, the qualities of a good accountant are prudence and professional competence. In the given situation, the accountant must profess prudence and responsibility, as he does not simply provide accounting services, but are also expected to help the companies to surpass the economic impasse they are crossing at present. By competence is generally understood the capacity of a person to pronounce a judgment about a phenomenon, based on thorough knowledge of the matter in question. The accounting professional must provide professional services carefully and assiduously and is constantly subjected to the expectations of a client or employer, so he is expected to prove a high level of knowledge and professional attitude. The accounting expert is a well-informed counselor, able to bring added-value to the economic unit. He must be honest and fair

in the professional services he provides, he must be impartial, he must respect the confidentiality of information he acquires and must comply with all his professional requirements. The accounting profession is represented by undertakings of financial and accounting nature which compete for the achievement of important objectives and tasks of the economic units and other patrimonial units. The main attribution of the accounting profession in Romania is organization and drawing-up of the statements for the economic agents, self-employed persons or legal entities within the legal circumstances, and the basic normative act that governs this activity in our country is the accounting law, law 82/199. The accounting profession must take the challenges of the new technologies, and the accounting professional should be capable to access, check and list the information from the accounting data base. Managers, and users of accounting information in general, need relevant, understandable, consistent and, most of all, comparable information, presented in a universal accounting language. The accounting professional must be able to provide financial information starting from the data of the economic transactions and he must be able to interpret and analyze, to certify and validate that information as well. The financial-accounting information provided by the source – which is the accounting professional – can offer a bird's eye view over an economic entity; they influence the decisional process of the manager and should be able to lead, within a company, towards problem solving, by identifying the causes and alleviation of the effects of a problem.

Assisting and preparing taxation services

The accountant is needed for the assistance and preparing of the tax statements. The accountants make the monthly, trimestrial, semestrial or annual

statements and present them to the entities that required them. Each financial statement or VAT declaration, etc., require the completion of forms following formal rules, which, if not respected, need to be done again and the delays of filing are amended and penalized. Because of that, the taxation services for the Romanian economic units are undertaken by accountants, because this profession, excessively regulated, is subordinated to the taxation interests even from the beginning of the regulation process. A great deal of the time dedicated to the accounting activity is allotted to the study of the accounting legislation and regulation, which change constantly, because their knowledge is vital for the quality of the accounting services. Apart from solving the various issues concerning the various state organisms, a good accountant must help with the financial aspects of the business.

Preparation of the financial statements

The mission of the chartered accountant in a company is, before other current duties, to prepare and, according to the situation, to organize and manage the financial-accounting activity which ensures the preparation and creation of the financial statements. The preparation of the balance sheet require the presence of the accountant for every operation going on in the entity, to monitor and notice, firstly for the rigorously and legality of the assets exploitation and than for the accuracy of the reflection of every management act in accounting process and in the financial statements. Having a multidisciplinary formation, doubled with experience, the accountant is able to intervene with evaluations and valuable propositions in extremely varied domains of competence. Such a professional intervention needs to be regulated by internal norms of competence and professional norms of the institutions and professional unions. The

image of the institution reflected in the financial statements depends on the professionalism and objectivity of those who build this image, and equally of the correct perception of the message transmitted by the accounts from the users of the accounting information. The intelligibility of the financial statements also depends on the professional accountants, and they must strive to present financial statements which are understandable for as many of the users as possible, using a simple structure. The role of the accounting professionals is, among others, to increase the reliability of the information comprised within the financial reports.

4. Conclusions

The accounting professionals are the first of the specialists involved in the activity of a company, because the first to get a piece of information in a business unit is the accountant. The role of the accounting professional in periods of economic crisis derives from the role of the accounting profession, which is different from other professions because it takes responsibility in front of the public interest for all the parties interested in the activity which takes place in a company: shareholders, employees, suppliers, creditors, budget by financial reporting characterized by transparency, relevance, consistency, comparability and reliability. The accountants are able to help the managers in their endeavor to lead the company in the troubled waters of the economic recession. A qualified accountant plays an important part in the welfare of a company. One of the main roles of the accountants is that of attentive observers of the ways the resources are used and the results are obtained at the company level. By his activity, the accountant must reflect reliably, clearly and completely the patrimony of an economic unit, this aspect

being an important matter which differentiate the accounting professionals among themselves.

Good financial reflections of the economic situation, provided by the accountant, help managers to surpass the economic crisis, to obtain funds and to attract investors. We consider that the success of an economic entity relies on the ability of the accounting professional to put to good use the financial-accounting information and to deliver them in optimal time.

References

1. Baba, C. M.: *Rapoarte și instrumente contabile utilizate în analiza și deciziile manageriale (Reporting and accounting tools used in analysis and management decisions)*. In: Ph.D. Thesis, Academy of Economic Sciences Bucharest, Bucharest. Romania, 2007
2. Botez, D.: *Tendențe, actualități și perspective ale profesiei contabile din România (Trends, news and insights into the accounting profession in Romania)*. Iași. Sedcom Libris Publishing House, 2005.
3. Costi, B.: *Contabilitatea, principal furnizor de informații cu caracter financiar. (Accounting, the main provider of financial information)*. In: Revista CECCAR, 2009, No. 2, pp. 10-17.
4. Iselin, E. R.: *Accounting information and the quality of financial managerial decisions*. In: Journal of Information Science (1996) Vol. 22, No. 2.
5. Scorte, C. M., Cozma, A., Rus, L.: *The importance of accounting information in crisis times*. Available at: <http://oeconomica.uab.ro/upload/lucrari/1120091/18.pdf>