

QUANTITY AND QUALITY IN ACCOUNTING

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Abstract: The present paper is a synthesis of the scopes of accounting in understanding the economic processes and transactions from the quantitative and qualitative point of view.

The economic life is a continuous set of choices and decisions (of maintaining, developing, correcting) based on the information supplied by the accounting.

The input information that are processed can be incorrect, processed with correct models and the outputs can be correct, incorrectly processed and with incorrect results.

JEL Classification: M0, M4

Key words: input, output, accounting, manipulation, manoeuvring, distortion, moral, ethics.

1. INTRODUCTION

Accounting appeared as the result of an acute need for order and was attributed many definitions. One of the definitions is given by prof. Theodor Ștefănescu (1881) „Order is light; where funds are managed without accounting, which is just the science of order, there is only darkness”.

Therefore, accounting brings light, transparency, visibility of facts and measurable phenomena.

We could also say that by accounting we can also understand the science of definitions through symbols, namely the science of communicating through symbols and being able to understand them for the benefit of those that are interested. Accounting is a science and art of keeping track of the existence and movement of capitals and their use, of establishing the results of an activity and of investing them in such a way as the business to continuously benefit from the necessary money support. Accounting can be defined as the science and art of businesses.

Through accounting one can measure, evaluate, know, manage and control assets, liabilities, capitals, revenues, expenses and results.

The purpose of accounting is given by the outputs generated through applying a processing model on the inputs. It presents the financial position and performance, the changes in the financial position, the cash-flows. The model used is a mathematic one, firstly formulated by Luca Pacioli and improved in time.

If we refer to the subjective character of accounting through which the system inputs and outputs are evaluated, we can add that accounting is geometry, or the art of measuring anything.

The knowledge provided is based on the accounting functions: registering and processing the data; informing; control; support; provisional. The transition from the past (history) to the future is based on the account, an instrument that allows us to : benefit from the information, estimate indicators, construct a table of ratios that allow the evaluating of performance in its different forms, setting the basis of decisions, or in other words gives support in formulating opinions and taking decisions.

In order to generate the outputs of the system, accounting is a veritable process of processing the input values both in a qualitative and quantitative way.

2. THE INTERIOR AND EXTERIOR WORLD OF THE ACCOUNTING PROFESSIONAL

„...many mistake information for education and education for wisdom” said Elmar Verner Mc. Collum in *from a farm boy, to a scientist*, published by Junimea Publishing House, Iași, 1974, pag.187, translated by Iuliu Nițulescu. These are words full of wisdom, that take into account the dual aspects of the accounting professional, his prestige and character, the content and form, the light and darkness, good and bad, conflict and harmony, and the list could go on.

The accounting professional is a protector of information but also the one that manipulates, selects and fakes information. All these aspects depend upon the professional judgement, based on the level of understanding of the processes and also on the level of the person’s morality.

Accounting is a moral system, expressed through symbols. It is up to the accountant if he puts morality first or puts his own, individual interests above anything else, forgetting the rule of “do no harm to the ones around you”.

Accounting was created on principles of morality, equality and justice.

In *Accounting and the financial system*, I was showing the limits of accounting, according to the morality of the accountant. The accountant expresses opinions upon the information he works with, upon the models used in order to generate outputs for the final users:

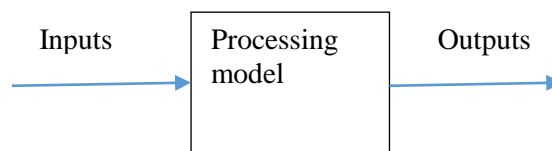


Figure no. 1 The scheme used by the professional

This is the level at which, the external characteristics of information get combined with those that regard the professional ethics. It is up to the level at which the ethical values were assimilated as well as the manner in which they are respected and applied.

The effects that output values can generate if uncontrolled, untested and used in a biased way, can be extremely bad.

The accountant behaviour reflects upon the recognition, the evaluation of input elements, the processing ways which can be adequate or not to the requests of the output values’ users.

In order to reduce or eliminate the states that do not fit from the qualitative or quantitative point of view, there are included some measures of protection in the system, such as:

- Cost control,
- Internal Control,
- Internal Audit,
- Statutory (external) Audit.

All of these contribute to the reduction or elimination of miss fittings between the accounting principles, the estimations and the subjective association of values to the elements of assets, revenues and expenses. In *Financial aspects of the account* by professor PhD Horia Cristea and lecturer PhD Alin Dumitrescu from the West University of Timișoara, we look into: the information accounting provides, the processing of accounting information, the manipulation of financial information, the use of accounting information.

As example, see figure 2, *The flow of filtering and de-coding the accounting information*, from the paper *The role of the financial auditor's attitude in the audit missions* by professor PhD Horia Cristea, professor PhD Ovidiu Bunget and Associated professor PhD Alin Dumitrescu from the West University of Timișoara, published in Revista Practici de Audit, year 5, no 1/2016:

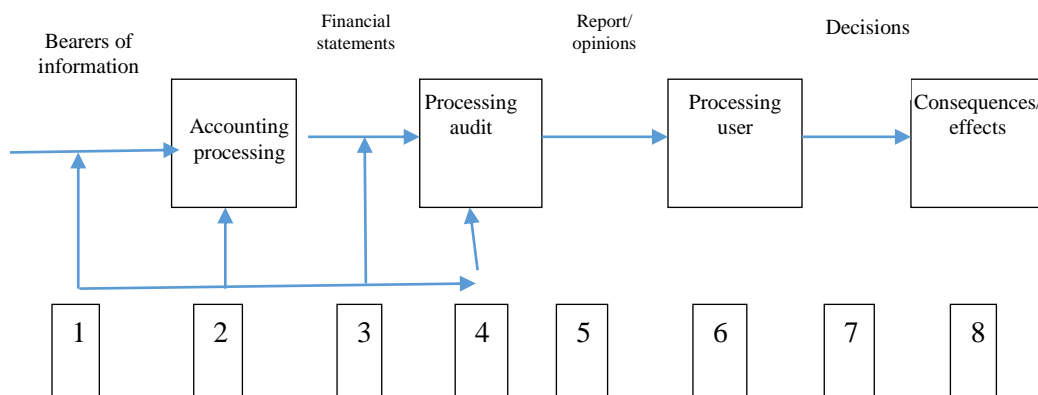


Figure no. 1(2). The flow of filtering and de-coding the accounting information

Explanations:

- 1) False or falsified documents for tricking the external auditors
- 2) Over dimensioning the assets in order to fake the force of the company
- 3) False financial statements, through fake documents obtained on the basis of corruption acts, in order for the external audit companies to consider as legal the false financial and accounting operations (4,5)
- 6) relying on the external auditor's opinion, the financial information users take decisions meant to generate them benefits in the investments they perform (7)
- 8) the clear consequence is that instead of generating profits, they generate losses, that are not to be wished for and in some cases are impossible to be covered..

The facts presented in the previous figure can be developed. The over sizing can be doubled by the under sizing of elements that are involved in transactions, operations, processes to which accounting associates values on the basis of a professional judgement.

3. QUANTITATIVE ASPECT OF THE ACCOUNTING PROCESSING

Accounting, as science of order and communication through symbols created its instruments, means of stocking, keeping and processing data and information. According to certain authors, accounting is the science and art of keeping the accounts, and the accounting technique is an art, a creation of the human spirit. It is a combination of the natural, physical and technical elements with the human factor. And where is a man, there is also error, mistake and sometimes fraud.

The triplet of accounting: art, technique and science gives us its double sense through the values it generates:

a. A first group refers to the clarity, correctitude of images it builds through the information it generates and supplies, as a result of accounting processing, based on rigour and truth

b. Manipulation, manoeuvring, distortion of the image by giving up the truth and rigour.

Accounting, through its instruments, registers, processes and keeps track under a quantitative and value aspect, of elements, processes, phenomena and transactions that take place at the level of economic entities.

In the system, an important role is that of the reverse regulating connection (the feedback) when the information function is altered, vitiated by the inadequate use of the evaluation of moves and quantitative changes that take place in the equity structure or the structure of revenues, expenses and results.

Accounting itself is full of rigour, precision and clarity, but the principles, rules and means are put into practice by the professional man. If this one gives up the professional ethics, than, accounting can become a means of covering the accounting fraud of any kind. This induces a false reality as correct and exact. But the decisions took are disastrous and so are the quality measures obtained by the processing of false quantitative measures.

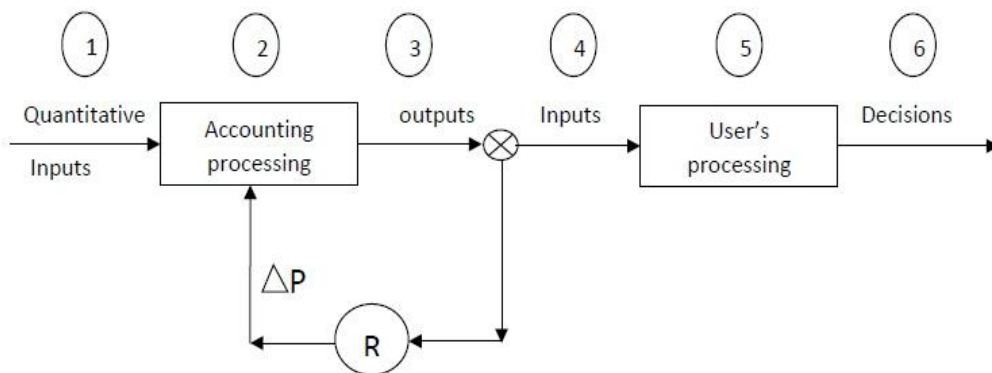


Figure no.2 - Tuning through the correction of information

Explanations:

- 1) Inputs
- 2) Incorrect models of accounting processing
- 3) Incorrect outputs
- 3c) control, Feedback or correction return
- 4) Inputs in a different processing system

- 5) Users' processing without control
- 6) Decisions that have effects

If the inputs are correct (quantitative and value), than the correctitude belongs to the professional that operates on the information flow. The over or under sizing of resources or elements, lead to unreal, incorrect and distorted situations.

This is the result of alternatives that are allowed by the accounting principles and standards as well as by the accountant character. This is the relativity in ethics, like in physics.

The mistakes that occur in the accounting instruments such as files, accounts, lead to the making of synthesis tables that do not reflect the quantitative reality and their derivatives are not the correct ones. The ones that use them are going to take decisions that are wrong and have negative effects (see Enron and the investments in its titles).

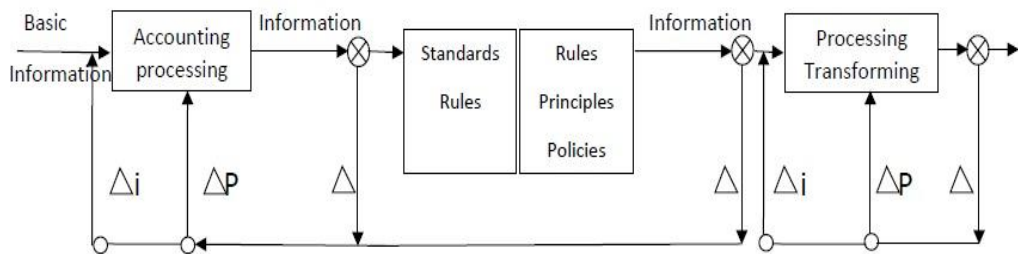







Figure no.3 – Control points that generate corrections

Explanations:

-  Control points
-  Variations, differences
-  i Input variations
-  p Processing variations
-  Uf Final users

The conclusion of the above is that „making a purpose out of tricking the others is profoundly immoral”.

4. QUALITY AS IMPORTANT ELEMENT OF THE ACCOUNTING PROCESSING OF INPUT INFORMATION

Accounting information is a result of accounting, which is a specialised activity that measures, evaluates, registers and presents assets, liabilities, revenues, expenses and results. When the accounting principles and the accounting policies are respected and responsible applied by the accountant, we find ourselves in the quality state perimeter.

These states depend on the level of training, understanding, professional behaviour, objectivity, integrity, independence of the professional accountant.

The quality of accounting information has its roots in its quantity. The accounts system, through its structure, expresses quantitative dimensions of the movement and existence of assets, liabilities, results.

On the basis of the quantitative aspects, by using processing models, one can get quality information that characterise a state, a tendency in the financial structure of the company.

The quality of the output depends on the quality of the variables, of the model used, on the level to which the model is adequate to the purpose, but also on the attitude of the accountant. The attitude makes the difference. Accounting is a moral system, illustrated through symbols and based on accounting policies of recognition, evaluation, presenting the accounting information according to the international accounting and financial reporting standards.

The quality of information can be affected by the exchanges in the accounting policies but also in the professional reasoning of choosing the accounting treatments, of choosing between the basic or alternative solution that is allowed, especially where there is a way of manipulating the information.

The attitude depends on ethics and morals. The ethics code is a true protection filter for the users of information. Crossing the rules and principles leads to lies and untruth in the accounting information.

The thesis that where there is order, there is light, can be denied by the inadequate character of the accountant that formulates incorrect opinions, through the formulated arguments and synthesis. The position, opposition and opinion of the accountant are put under questioning. Also under question is the reality and correctitude of information supplied by the accounting, information that after processing is leading to decisions that are also questionable.

But the purpose of accounting is to supply convincing answer that are trustworthy. It has rules and norms to what is good or bad. Respecting them is a proof of self-respect and also of respect towards the others, without taking the side of any group. Still, not everybody puts value to honesty and correctitude. Some accept or practice dishonest ways. The forms of dishonesty are present in all forms:

- a) Lies
- b) Theft
- c) Corruption
- d) Evasion
- e) And so on.

If we refer to evasion, there are two sides: one that protests against the legal evasion, admitted and that illegal and unpermitted and a second one that considers that evasion is illegal. Normally, evasion is evasion which means running, hiding from the normal, legal taxation, according to the rules of the State.

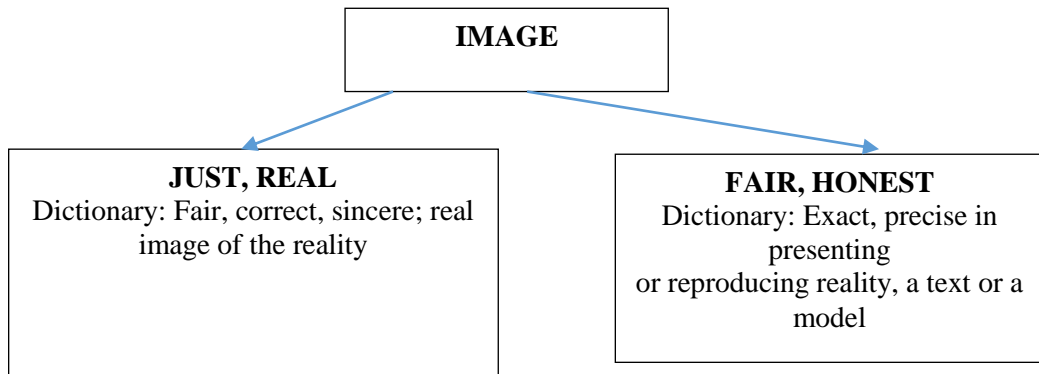
We can also use examples from the evaluations and estimates used in accounting. For example, determining the value of the company is dependent on its purpose.

Table no. 1 - Subjectivity of evaluation

	Purpose	Selection of the evaluation method
0	1	2
1	Company liquidation	Capitalization rate, actualization, time
2	Liquidable	Estimation of the future profits
3	Continuity	Coefficients for a median value

The choices made by the professional can be in two directions: that of certitude and that of incertitude (evaluation-estimation). And the examples can continue, with solid comments.

Accounting allows us to understand some states of quality order, concerning a business, through the image reflected in the mental of the users, namely:



The image given by accounting is the result of: position, opposition and composition (thesis, antithesis and synthesis) took by the accounting professional.

5. CONCLUSIONS

„Accounting is the present, financial reporting is the past and the decisions are the future”. If the number of errors is limited, the information is credible.

If the economic content is more important than the legal form, the trust is increasing. The professional education has a major role in fulfilling the accounting purposes.

An important role have the education international standards (IES) with their three fields:

- 1) Educational and professional knowledge
- 2) Practical experience
- 3) Continuous updating of knowledge and abilities

According to the Accounting Law no 82/1991, accounting is „ a specialised activity that measures, evaluates, knows, manages and controls the assets, liabilities and equity, as well as the results of the activity of physical or legal persons. To fulfil its purpose, accounting ensures the chronological and systematic registration, processing, publishing and keeping of information regarding the financial position, performance and the cash flows, both for internal needs as well as for the relations with the present and potential investors, the financial and commercial creditors, the clients, public institutions and other users”

Different users, different forms of information: margins, exploitation ratios, financial ratios, available exploitation cash flows, financial or investment cash flows, net present values, endebtment ratios, gains per share, ratio price-gain, profitability ratios, ratios regarding the investments, and so on.

Accounting, through its informative abilities is regarded as „ science, art, technique, communication language, information system, social game”.

Including art as an abstract representation of reality and „social game” in which the producer of accounting information addresses the users of information, leads us to the thought that there are possible manipulations in cases of corruption, abdication from the professional ethics. The same stands for the creative accounting. If the environment is a moral, ethic one, and the measures offered by the accounting are appreciated, as being correct in formulating a decision, oriented towards the fulfilment of clearly formulated objectives.

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