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Constructive Relationship between Accountancy and the Corporate Governance, Under the Context of Normalization

Mirela NICULAE

Department of Finance and Banking, Faculty of Finance, Banking and Accountancy,
Dimitrie Cantemir Christian University, Romania, E-mail: mirela_s_radu@yahoo.com

Abstract *The relationship between the accountancy and the corporate governance is of interdependency. The economical-financial crises, the complexity of the business environment, the intensification of competition, the demographical issues, the climate changes, and the limited access to the resources are aspects emphasizing another approach of the governance on entity level. The accountancy cannot remain indifferent to the major changes occurring worldwide, in the direction of the globalization of the economy and of the financial markets. The harmonization and the convergence of the Romanian accounting with the International Accounting Standards and with the European Directives are the demarche of a challenge arising around a permanent process of accounting reform.*

Key words Accounting normalization, financial-accounting information, corporate governance structure

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1. Introduction

The constructive relationship between the accounting and the corporate governance points to the information *regarding the financial statement, the performance, shareholding and governance on entity level.* Effective corporate governance has a benefic impact on the stability of the assembly of the economy, of the increase of the economic effectiveness, of the economic performance and of the competition on entity level.

According to the definition given by the Organization for the Economic Cooperation and Development, *"the corporate governance states on the distribution of the rights and responsibilities of different classes of individuals involved in the company: the administrators, managers, shareholders and other categories, and establishes the decision-making rules and procedures related to the activity of a company".*

In order to face the uncertainty and complexity of the contemporary world, a new governance system is needed, based on the *"assembly of rules, systems and processes implemented in order to establish the relationship between the shareholders, management, customers, employees, suppliers and other parts involved to establish the objectives and the way they are fulfilled, the increase of the economic performance"* (BCC, 2014).

On the level of the corporate governance structures, the accountancy is the most important element of the computing system, because most of the microeconomic decisions are made under the information provided by the accountancy; it permits to the managers, shareholders and other investors to have clear image of the entire business; it provides the connection with the other elements of the computing system of the company.

2. Literature review

The need to know the history of the accounting is necessary for the following of the future trends, such as the accounting normalization as founding and perfection activity of the working methods and techniques.

The accounting patterns have been an intensive preoccupation of the research, being analyzed in a multitude of scientific works on national and international level. The accounting patterns reflect the effects of the economic transactions and of other phenomena and processes on the economical-financial performance on entity level.

The accounting pattern is the assembly of principles, methods, procedures, regulations in scope to obtain process, store and submit the financial-accounting information. The accounting regulations included in the national laws, the ordinances, orders, harmonized with the European directives and the international standards, are ending with the insurance of the comparability of the financial statements of different entities/institutions.

The need of harmonization, the convergence and uniformity in the accounting, imposed its normalization. The core of normalization is given by the accounting norms based on the accounting terminology for all the issuant and users of financial-accounting information.

The accounting regulations regarding the annual individual financial statements and the annual consolidated financial statements included in the Order of the Minister of Public Finances no. 1802/2014 provide the form and contents of the annual financial statements, the accounting principles and the rules of acknowledgement, evaluation, emphasizing and presentation of the elements in the annual individual financial statements, the drawing-up rules, approval, auditing/verifications, according to the law, and editing of the annual financial statements, the general account plan, as well as the contents and the operation of the accounting accounts. They also establish rules regarding the drawing up of the annual consolidated financial statements.

These regulations transpose in part the provisions of the Directive 2013/34/EU of the European Parliament and of the Council regarding the annual financial statements, the consolidated financial statements and the connected reports of certain types of enterprises, of changing of the Directive 2006/43/EC of the European Parliament and of the Council and of abrogation of the Directives 78/660/EC and 83/349/EEC of the Council, published in the Official Journal of the European Union no. L 182 from June 29th, 2013.

The accounting regulations according to the European directives in accordance with the Order of the NBR no. 6/2015, in force on January 1st, 2016, provide the form and contents of the annual financial statements, the general accounting principles and the evaluation rules of the elements presented in the annual financial statements, the edit rules, statutory auditing and editing of the annual financial statements and of the annual consolidated statements, rules of accounting registration of the made economical-financial operations, account plan, specifications regarding the documents, forms and accounting books, as well as the drawing-up norms and their use.

According to the Order of the NBR no. 6/2015, such accounting regulations transpose:

- The provisions applicable to the institutions mentioned at point 4 from these regulations, provided by the Directive 2013/34/EU of the European Parliament and of the Council regarding the annual financial statements, the consolidated financial statements and the connected reports of certain types of enterprises, of change of the Directive 2006/43/EC of the European Parliament and of the Council and of abrogation of the Directives 78/660/EEC and 83/349/EEC of the Council, published in the Official Journal of the European Union no. L 182 from June 29th, 2013.
- The Directive of the Council from December 8th, 1986 regarding the annual accounts and the consolidated accounts of the banks and of other financial institutions (86/635/EEC) published in the Official Journal of the European Community (OJEC) no. L 372 from December 31st, 1986, with its subsequent changes and additions.
- The Directive 89/117/EEC from February 13th, 1989 regarding the obligations for the publishing of the accounting documents by the subsidiaries established within a member state, of the credit institutions and of the financial institution having the registered office outside the respective member state, published in the Official Journal of the European Community (OJEC) no. L 44 from February 16th, 1989.

3. The accounting-corporate governance binomial through financial-accounting information

Between the accounting and the concept of effective corporate governance, there is a constructive, convergent, positive relationship, the accounting being the registration and the integration of the economic phenomena and processes for the issuance of financial-accounting information useful for making decisions.

The financial-accounting information presented through the financial reporting statements is perceived as a control mechanism proving reliable corporate governance on institution level.

In order to provide relevant quantitative information, the accounting professional must know very well the principles and rules which are base of the registration, processing, systemization and to issue a system to insure the correctness and the promptitude of the financial reports. *"In this way, the accounting assumes an expertise mission of the corporate governance patterns correlating the activities and the resources, informing the management and serving the internal control of the procedures. Within the company, the accounting is a permanent activity, providing information from time to time regarding the performance of the entity, its scope being the balance sheet and the profit and loss account".*

The high quality financial information is significant for the good operation of the corporate governance principles. Moreover, they provide insurance to the current and possible investors regarding the reliability of the information which is the base of the investment decisions.

The financial-accounting information must fulfill certain attributes called qualitative features. According to the Order of the Minister of Public Finances no. 1802/2014 for the approval of the Accounting regulations regarding the annual individual financial statements and the annual consolidated financial statements and the Order of the NBR no. 6/2015 for the approval of the Accounting regulations according to the European Directives, the utility of the financial information is increased if they are comparable, verifiable, opportune and intelligible.

The basic qualitative features are the relevance and the exact representation. The financial information has the capacity to help the information users in making decisions if having predictive value, confirmation value or both.

The predictive financial information is used by the users for the performance of their own predictions.

The information regarding the current year revenues, which can be used as base for the prognostication of the revenues for the future years, can be compared with the provisions made in the previous years, for the current exercise. The outcomes of such comparisons may help the users to correct and improve the processes used for the accomplishment of the previous predictions.

The annual financial statements describe the economic phenomena in words and numbers. Therefore, for being an accurate representation, a description must be complete, neutral and without errors.

The comparability, verifiability, opportunity and intelligibility are qualitative features enhancing the utility of the relevant information and accurately represented.

"The normalized accounting permits to the entity to register systematically all the events and the timely economic processes and to formalize them in the financial statements; the obtaining of such comparable information in time and space under which the trends and the evolution of a company from one term to another are appreciated, and compared to other companies; the obtaining of certain provisioned information providing the users to make provisions and estimations related to the evolution of the enterprise; the investors and the other stakeholders should dispose from time to time of formalized information in different forms and communication media, especially the annual financial statements, which are meant to help in founding the decisions, the establishment of certain qualitative features specific to the accounting information and the appreciation of the information's utility according to these criteria".

4. Corporate governance structures

"*The corporate governance is the assembly of the principles founding the management frame through which the bank is managed and controlled. On internal normative documents, such principles establish the efficiency and the effectiveness of the control mechanisms adopted in scope of protecting and harmonizing the interests of all the attendants' classes to the activity developed by the bank – shareholders, administrators, managers, leaders of different structures of the company, employees and organizations which represent their interests, customers and business partners, central and local authorities"* (BRD, 2012).

Corporate governance structures (BCC, 2014):

1. *Surveillance Board* – the leading authority in its surveillance position fulfilling the surveillance and monitoring role of the decision process of management performed by the higher management.
2. *Consultative Board*

- Audit Board – permanent and independent board directly subordinated to the Surveillance Board, having the role to assist the management board in its surveillance position to perform the responsibilities on the line of the internal control, of the internal audit and risk management. The main responsibilities of the Audit Board:

- Monitoring of the effectiveness of the internal control, internal audit and risk administration;
- Analyzes and approves the area and the frequency of the internal audit, transposed in the annual audit plan, approves any changes occurred in the audit plan during the year and signalizes the orders for the internal audit missions;
- Verifies the timely adoption by the Management of the necessary corrective measures for the remedy of the deficiencies related to the control, inconsistency with the legal frame, policies, as well as other issues identified by the auditors and conformity officers;
- Provides the surveillance of the institution of accounting policies by the credit institution;
- Monitors the financial reporting process;
- Monitors the statutory audit of the annual financial statements and of the annual consolidated financial statements.

- Remuneration and Appointment Board.
- Risk Management Board.
- Strategy and Policy Board.

3. *Directorate* represents the upper management and is a collective executive management authority performing the responsibilities under the control of the Surveillance Board. The Directorate Members are appointed by the Surveillance Board, assigning the position of President to one of them.

The following boards operate under the subordination of the Directorate:

- Asset and Liability Management Board – acts for providing balance on the level of the financial risks assumed by the Bank in the achievement process of its scopes.
- Credit Board – provides a proper management process and development of the credit portfolio.
- Credit Restructuring and Recovery Board – provides a proper management process of the general credit portfolio.
- Human Resource Board.
- Occupational Security and Health Board.
- Policy and Commercial Program Board – is a board sustaining the activity of the Commercial Division and manages the non-standard sale tenders of the products (credit and non-credit) and of the Bank services.

4. *Ethical code* – the ethical code is the base of a corporate culture inspiring legitimate, professional, correct and human behaviors, developing and promoting a trusting climate, transparency, innovation and effectiveness. Good corporate governance means operating in an ethical pattern in any element of the Bank and on the level of each of the Bank’s employees.

5. Conclusions

The international accounting normalization and harmonization efforts as well as the increase of the number of users of the financial-accounting information printed a public position to the accounting.

Through the constructive relationship between accounting and well-structures corporate governance, on entity level, there is insured a good organization, through the compliance with the internal and external rules, of the effectiveness terms and optimization of the developed business, in order to achieve the scopes.

Under the principles of the corporate governance, of the legal and good-practice standards of the corporations developed by the Organization for Economic Cooperation and Development (OECD), on the level of the entities, there is necessary the institution of the guaranty bases of the objectivity and the transparency of the selection of management and of the members of the management boards, of insurance of professionalism and responsibility of the management decision, as well as additional mechanisms of protection of the rights of the minority shareholders.

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