

ACCOUNTING POLICIES MANUAL BETWEEN COMPULSORINESS AND NECESSITY. STUDY WITHIN ENTITIES IN CENTRE REGION

ALINA-TEODORA CIUHUREANU *

ABSTRACT: *The operationalization of quality accounting standards and principles of quality management considers the existence of accounting policies and procedures and assuming the manual containing them. Legal regulations emphasize the necessity of having a Policy Manual and if it does not exist, the fines are significant. This raises a question: is the accounting policies manual really necessary or is it only legally binding? The paper, based on studying the specialised literature and also on personal opinions, highlights both the need for an accounting policies manual and its content. However, the paper aims to convey opinions of managers and administrators from the entities in the Central Region by conducting a selective research among them.*

KEY WORDS: *manual, policies, accounting, Centre, managers, administrators.*

JEL CLASSIFICATIONS: *M410, M100.*

1. PRELIMINARY CONSIDERATIONS

According to Law 31/1990, one of the tasks of the Board of Directors of a company is to establish accounting policies. Moreover, one of the provisions of Law 82/1991 refers to the fact that the annual financial statements will be accompanied by a written statement of the administrator, who assumes responsibility for the annual financial statements and confirms that the accounting policies used in preparing the annual financial statements are in accordance with applicable accounting regulations. The Ministry of Finance's Order no. 1802/2014 provides that entities must develop their own accounting policies to be approved by administrators and, for entities which do not have administrators, accounting policies are approved by people who have the obligation to manage the entity. Man Alexandru et. al stated in 2010 that "*accounting*

* Assoc. Prof., Ph.D., Romanian-German University of Sibiu, Romania,
alinaciuhureanu@yahoo.com

policies are the specific accounting bases used continuously by an organization in preparing the financial statements, identified as the most suitable for presenting fairly its financial results and operations”.

Synthesizing various opinions published especially on the websites of some companies with activities in accounting and auditing, we conclude that the *accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and fairly presenting the financial statements.*

The accounting policies must be included in a handbook that every company is bound by law to hold. Accounting policies are developed given the specific activities, by the participation of several specialists in the economic and technical fields (depending on the activity of the company and its complexity), both internally and externally. An important requirement is that those who participate in policymaking know the work done by the company, its strategy and comply with accounting principles from which we can conclude that management involvement is not only necessary but essential.

The primary purpose of accounting policy manual is to provide users with useful accounting information, that can be used as needed. In terms of presentation and content of the accounting policies manual of a company, it should be noted that there are no precise indications to this effect in the applicable accounting law. The accounting policies manual is not just a tool to protect the company in case of a tax audit, but it should be seen as a tool for internal management as it represents an important milestone in preparing the financial statements (Voinea, 2014) with direct effects on capitalizing the information by users.

An informative structure of the manual of accounting policies may be presented as follows: *general information* (reporting framework, accounting principles, general rules of evaluation, subsequent events from the date of the balance, correcting accounting errors, etc.), *specific accounting policies* (referring to fixed assets, current assets, short-term and long-term liabilities, capital, provisions, subsidies, expenditure, revenue and result, etc. accounting documents, accounting procedures through which policies are operationalized). *Examples of accounting policies* may be choosing depreciation of property, plant and equipment revaluation of property or the preservation of their historical cost, choice of method of inventory valuation, inventory accounting, capitalization of interest or its recognition as an expense, insignificant error correction etc.

Based on this we will pursue further to analyze the perception of respondents, representatives of companies in the Central Region on the accounting policy manual.

2. METHODOLOGY OF RESEARCH

The research conducted is a “survey-type quantitative selective research”. We note that this part of the research is part of a more complex research which was based on a questionnaire consisting of 78 questions.

To achieve the research purpose, we established a central objective and secondary objectives, with main and secondary hypotheses associated (table 1).

Table 1. Objectives and hypotheses of the research

Central objective	Main hypothesis	Secondary objective	Secondary hypotheses
Q_1 Analysis of the perception on the accounting policies manual.	IP_1 – Most companies have a manual of accounting policies and believe that it is an obligation imposed by regulations.	$Q_{1.1}$ Analysis of the companies' category influence and the organization of accounting on the development and implementation of accounting policies manual.	IS_1 – The company's category and the organization of accounting influence to a small extent the development and implementation of accounting policies manual. IS_2 – The company's category has a direct influence on the opinion regarding the development and implementation of accounting policies manual.

To collect the information, the *direct research method* was used, that involved gathering data and information directly from respondents, randomly, using a questionnaire distributed directly to the manager or the administrators. The survey was *undissimulated (genuine)*, the aim being known from the beginning by the respondents.

The population from which the sample was selected is formed of economic entities from industry, trade and services, active in 7 Centre Development Region (Alba, Brasov, Covasna, Harghita, Mures, Sibiu).

To establish the sample, the nonprobability random sampling was used, using the "snowball" method. But companies had to have registered turnover, on the date of completing the questionnaire. The number of valid questionnaires was 301 generating a response rate of 42.16% and a margin of error of $\pm 5.63\%$.

3. RESULTS OF THE RESEARCH

First, we sought to identify *the extent to which entities have developed and implemented a manual of accounting policies*, the responses being processed in table 2.

Table 2. There is developed and implemented a manual of accounting policies

Valid	301	Frequency	Percentage	Valid percentage
	Yes	216	71,76	71,76
	No	32	10,63	10,63
	I don't know	53	17,61	17,61
Total		301	100,00	100,00

Of all the respondents, the majority (71.76%) say they have developed and implemented a manual of accounting policies. It is well known that according to the regulations, companies, regardless of size or field of activity, have the obligation to adopt such a manual; otherwise they might be penalized by fines that can reach up to

4,000 lei. For this reason we have expected that the proportion of those who said they had developed and implemented such a manual is higher. However, we must bear in mind that 17.61% of respondents said they did not know if they had such a manual which shows the lack of interest at least from the perspective of verifying the existence of this manual. We believe, however, that the percentage of those who answered “I don’t know” could have been reduced if the respondent would had contacted the accountant in charge of bookkeeping.

We remind, however, that in accordance with OMPF 1802/2014, the accounting policies (parts of the manual) are approved by directors and if they are not appointed, the approval belongs to those persons who are in charge of the management of that entity.

For thorough study, we formulated specific objective *QL₁* - Analysis of the companies’ category influence and the organization of accounting on the development and implementation of accounting policies manual, in which we used *associations between variables* (tables 3 and 4).

Table 3. There is developed and implemented a manual of accounting policies in relation to the company’s category

Opinion	Company’s category				Total %
	micro	small company	middle-sized company	big company	
Yes	66	81	52	17	216
%	44,59	96,43	100,00	100,00	71,76
No	32	0	0	0	32
%	21,62	0,00	0,00	0,00	10,63
I don’t know	50	3	0	0	53
%	33,78	3,57	0,00	0,00	17,61
Total %	148	84	52	17	301
	100,00	100,00	100,00	100,00	100,00

Table 4. There is developed and implemented a manual of accounting policies depending on the organization of accounting

Opinion	Organization of accounting			Total %
	Internalized	Outsourced	Mixed	
Yes	82	43	91	216
%	79,61	48,86	82,73	71,76
No	18	4	10	32
%	17,48	4,55	9,09	10,63
I don’t know	3	41	9	53
%	2,91	46,59	8,18	17,61
Total %	103	88	110	301
	100,00	100,00	100,00	100,00

After the analysis by company's category, conclusions are to some extent predictable. Thus all the companies classified as large and medium-sized state that they have developed and implemented the manual, while most small companies (96.43%) ticked the same answer. Difficulties arise for companies ranging from micro, 33.78% of them reporting they do not have such a manual and 21.62% stated they did not know of its existence.

Depending on the organization of accounting, the situation is different. Most companies that internalize accounting (79.61%) or have opted for the mixed version (82.73%) responded yes, we have developed and implemented the accounting policy manual, percentage differences being found for both the "no" answer (17, 48% - internalized 9.09% - mixed) and for the "I don't know" (2.91% - internalized 8.18% - mixed). From this analysis it seems clear the disinterest of certain managers / directors on the existence of an accounting policy manual. If the accounting activity is internalized, how is it possible that this legal obligation is not fulfilled, without referring to the manual's utility and the favourable implications on the management of information?

For companies who outsource accounting, most response options are divided between "yes" (48.86%) and "I don't know" (46.59) and we therefore reason our initial conclusion regarding the lack of interest in terms of at least verifying the existence of the manual.

Following the preliminary conclusions, the secondary hypothesis *IS₁* – *The company's category and the organization of accounting influence, to a small extent, the development and implementation of accounting policies manual* is confirmed but given that we noticed the relatively high percentage of those who say they are unaware of the existence of the manual.

After finding the facts, with the following operational variable, we have sought to know **the opinion of respondents on the accounting policies manual**. It is obvious that developing a policy manual ensures the information quality, with direct effects on the benefits brought by efficiency.

The existence of such a manual confirms the compliance with certain clear rules, informs on the accounting methods and techniques applied in companies and that have impact on the results (e.g. inventory valuation methods). The answers for this variable were processed in table 5.

Table 5. The accounting policies manual is ...

Valid	301	Frequency	Percentage	Valid percentage
	An obligation imposed by regulations	154	51,16	51,16
	A must for the quality of accounting information system	36	11,96	11,96
	An imposed obligation with positive impact on quality	77	25,58	25,58
	I don't know	34	11,30	11,30
Total		301	100,00	100,00

From the preliminary analysis of information, we notice that most respondents regard the accounting policies manual as an obligation imposed by the regulations and only 11.96 considers it is a necessity for the quality of accounting information system. We also note the share of 25.58% of those that consider the manual as both an obligation and a qualitative necessity and that of 11.30% who avoided expressing their opinion.

We considered that the analysis must be thorough, which is why we conducted two associations: first highlights the respondents' opinion depending on the *company's category* (table 6) and the second through which we have transposed the opinion depending on *the existence of the accounting policy manual* (table 7).

Table 6. Grouping opinion on the development and implementation of accounting policy manual in relation to the company's category

Opinion	Company's category				Total %
	micro	Small company	middle-sized company	big company	
An obligation	107	39	7	1	154
%	72,30	46,43	13,46	5,88	51,16
A must	2	21	9	4	36
%	1,35	25,00	17,31	23,53	11,96
An obligation with positive impact on quality	10	19	36	12	77
%	6,76	22,62	69,23	70,59	25,58
I don't know	29	5	0	0	34
%	19,59	5,95	0,00	0,00	11,30
Total	148	84	52	17	301
%	100,00	100,00	100,00	100,00	100,00

From the analysis of the correlation carried out by category, we note that most large companies (70.59%) believe that the accounting policy manual is both a necessity and an obligation and 23.53% regard it strictly from the perspective of the need to ensure a quality accounting information system with effects on the implementation of information. Similar opinions also result for medium-sized companies.

Regarding micro entities, 72.30% of those consider that the manual is strictly an imposed obligation, a reason for new sanctions, without an informative purpose or bringing benefits in terms of capitalizing information. Also for this category, 19.59% of respondents prefer not to express a clear opinion (the "I don't know" option).

This analysis confirms the secondary hypothesis IS_2 – *The company's category opinion has a direct influence on the development and implementation of accounting policies manual.*

Table 7. Grouping opinion on the accounting policies manual in relation to its existence

Opinion	Existence of accounting policies manual			Total %
	Yes	No	I don't know	
An obligation	114	24	16	154
%	52,78	75,00	30,19	51,16
A must	36	0	0	36
%	16,67	0,00	0,00	11,96
An obligation with positive impact on quality	66	8	3	77
%	30,56	25,00	5,66	25,58
I don't know	0	0	34	34
%	0,00	0,00	64,15	11,30
Total	216	32	53	301
%	100,00	100,00	100,00	100,00

From the analysis of the correlation depending on the realities identified in terms of the existence of the accounting policies manual, most companies that said they have developed and implemented it, regard it as strictly an obligation (52.78%), followed by a percentage of 30.56% of those who consider it both an obligation and a necessity and only 16.67% consider it a necessity for quality assurance. As expected, most of those who have not developed such a manual probably are not interested in it, being regarded only as a regulated obligation (75%) but it is interesting that we also have a share of 25% of respondents who probably began to realize its need. From the category of those who do not have a clear opinion, the majority of 64.15% are still undecided and choose "I don't know" response and 30.19% say that a manual is only required by the regulation.

Based on the conclusions reached, we notice that the main hypothesis advanced before the research (*IP₁ - Most companies have a manual of accounting policies and believe that it is an obligation imposed by regulations*) is unfortunately confirmed.

4. FINAL CONCLUSIONS

The selective survey revealed that most respondents say they have developed and implemented a manual of accounting policies but we expected that, through its compulsoriness, the share would be higher. We remind, however, that in accordance with OMPF 1802/2014 the accounting policies (parts of the manual) are approved by administrators and, if they are not assigned, the approval belongs to those who have the obligation to manage the entity. The correlated analysis showed that company's category criteria and the accounting organization influence to a small extent the development and implementation of the accounting policies manual.

To be in agreement with the theoretical approaches in which we pointed out that by developing a policy manual information quality with direct effects on the benefits brought through capitalization is ensured, we also identified respondents' opinion on

the accounting policies manual. The main conclusion shows that most respondents consider the accounting policies manual as an obligation imposed by regulations. A first correlation between variables showed that the company's category criterion has a direct influence on the opinion regarding the development and implementation of the accounting policies manual. The second correlation led to the conclusion that most companies that have a manual of accounting policies believe that this is an obligation imposed by regulations.

Given the results obtained, we believe that the respondents most often regard the accounting information as raw information, which it should generate, quality being regarded most often from a fiscal perspective.

REFERENCES:

- [1]. **Man, A.; Rus, A.; Pop, R. V.** (2010) *Procedurile financiar-contabile: instrumente ale unui management performant*, Ed. Risoprint, Cluj Napoca, p. 60
- [2]. **Voinea, E.** (2014) *Firmele sunt obligate să dețină un manual de politici contabile. Ce trebuie să cuprindă documentul?*, [Online], http://www.avocatnet.ro/content/articles/id_37252/Firmele-sunt-obligate-sa-detina-un-manual-de-politici-contabile-Ce-trebuie-sa-cuprinda-documentul.html, [Accessed 15 December 2015]
- [3]. Legea nr. 31/16.11.1990 privind societățile comerciale, republicată, M. Of. nr. 1066/17.11.2004, cu modificările și completările ulterioare
- [4]. Legea 82/24.12.1991 – Legea contabilității, republicată, M. Of. nr. 292/15.04.2008, cu modificările și completările ulterioare
- [5]. Ordinul Ministrului Finanțelor Publice 1802/29.12.2014 pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate, M. Of. nr. 963/30.12.2014
- [6]. <http://rum.mazars.ro/Home/Our-expertise/Outsourcing-Accounting-Payroll/Accounting-Policies-and-Procedures-Manual>, [Accessed 15 December 2015]