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QUALITY MANAGEMENT OF THE ACCOUNTING SERVICES

Mirela Camelia BABA¹

Abstract: *Often, the accounting services are vital for the success of a business, and their quality is very important, both for the users of accounting information, as well as for the providers of services.*

The present paper highlights the role of the accounting services in the processes of planning, coordination and development of the management policies of the economic entities. There are identified a series of factors which are responsible for the quality of the accounting process and for the efficiency of the activity undertaken by the accountants.

Key words: *users of financial-accounting information, quality management, quality costs, accounting information, accounting service.*

1. Introduction

The recent economic development, corroborated with the globalization, have determined an increased need of accounting information, and managers and investors need accurate, credible, pertinent and internationally comparable financial information to ground their decision upon. The trust in an entity entirely depends on the degree the managers perceive and understand the accounting-financial information, on its openness and transparency. The management of an entity ground their decisions on a big volume of accounting data and it is its duty to release them outside the entity, the management bears the responsibility of the production and release of financial-accounting information. As they have immediate access to the accounting information, the managers give a special attention to the way the published information is perceived outside his firm, because this tells the third parties how the institution is managed.

A few considerations about the quality of the accounting services were presented by Johnson, Eric and Walker, Kenton in their book, "Delivering Quality Accounting Services" in 2006. Their article presents steps that the management accounting firms in the U.S. can apply to improve management accounting services. The quality of information in their opinion may be measured by accuracy, completeness, relevance, and timeliness. Therefore the firms can improve management accounting services and achieve a number of benefits, including improved management of the accounting function, more effective allocation of accounting resources, improved communications between providers and users, a higher service quality and customer satisfaction levels. Quality accounting services are those that customers use frequently and consider important in carrying out their work. The result of quality service delivery is a high level of customer satisfaction. Studies such as Peasnell, 1982 and Östermark & Aaltonen, 1995 examined

¹ Dept. of Finance, Accounting and Economic Theory, *Transilvania* University of Braşov.

a certain type of accounting information (in the form of financial ratios) that are quite sophisticated for the typical investors to reach and to be influenced by Iselin E. R. (1996) states that accounting information affects decision quality through three main variables: uncertainty, information load and data load. Some other qualitative and quantitative aspects regarding the accounting information were presented in specialized literature by Celine Michailesco (2000), Eddy Vaasen (2002), Brigitte Eierle (2008).

2. The Components of the Management of Quality of the Accounting Services

The accounting department is the representative of the financial and economic decisions made in order to ensure the optimal functioning of an economic entity, and the production and communication of the accounting information can be seen as a service. The quality of the accounting services depends on the quality of the proceedings used in the production and release of the accounting information, but also on the quality of the accounting statements and their conformity to reality and the actual laws. A qualitative accounting process implies competent proceedings, methods, working techniques and personnel, because these facts ensure the trust of the users of accounting information. The accounting services must pursue the production of the information that responds to the demands of the various users, otherwise, the trust they grant to the methods that were used and even to the accounting professionals that produced it falters. The role of the accounting department is to offer information necessary to the management of the economic entities and to elaborate the statements on which the decisions are made; that's why the timely information have a special importance for the top managers and for the grounding of the

decision they make in order to exert a corresponding managerial control. An essential component of the quality level is the client's perception, or the user of the accounting information, about the extent to which the service he accesses fulfills his/her demands. Therefore, an economic entity must include among the strategic objectives the increase of the satisfaction level of its customer for the products it offers. In the context of the present economic crisis, the planning and implementation of a personalized system of quality assurance of the accounting services, of quality management, represents the essential condition for the survival and development of the economic entities. The economic theory says that the value of a commercial good or a service is determined according to the utility, that is the satisfaction it brings to the consumer, and this judgment is applicable to the production and communication of accounting goods. Regardless of the purpose and the means of communication, the satisfaction of the user's needs must be measured and ensured constantly. The service, namely the financial-accounting department, must be able to offer, apart from the chronological recording of the accounting operations, the drawing-up of the financial statements, records, fiscal statements, to provide services of financial and fiscal consulting, assistance when auditing services proceed for periodic checking, solutions to improve the taxes and to reduce them. The accounting quality objectives of the economic entities could be oriented towards the satisfaction of the needs and expectations of the users of the accounting information in what regards: the professional ethics and the abiding by the actual legislation; constant amelioration of the accounting information that is made public, including of the means of communication; the effectiveness of the production and communication of the

accounting information; taking into account the social and environmental requirements. In order to fulfill their objectives, the accounting professionals must respect some fundamental principles, based on: integrity, objectivity, independence, professional competence and good will, confidentiality, professional ethics and professional and technical regulations.

The components of the quality management are: quality planning, quality control, quality accomplishment and quality improvement.

- Quality planning refers to all the processes necessary to determine the firm's main objectives in the field of quality, as well as the resources and means necessary to accomplish them;
- Organizing the quality activities consists of attributing charges and responsibilities to the staff, referring to quality, and settlement of the function ladder;
- Training refers to the processes through which the personnel, the human resources, are motivated to accomplish the objectives that aim to quality;
- Quality control includes the set of the surveillance and quality control activities that are meant to detect deficiencies, prevent them and implement new objectives)

The quality of the accounting process can be regarded as providing for clients inclusive accounting services, accurate accounting information and a reasonable price. The quality of the accounting process can be seen in the availability, for the users, of thorough accounting services which are also accurate and have a reasonable price.

The actions of the economic entities, in order to ameliorate the quality, are undertaken, generally, on three levels:

- On the technical level, the objective of the economic entity must result in the

eradication of the sources for non-quality and of errors;

- On the human level, the know-how, the experience of the staff must be valorized in order to constantly improve the quality and the performance of the production of the accounting information;
- On the organizational plan, the amelioration of the quality can be obtained by a better organization of the accounting process, by its simplification and permanent adjustment.

The quality can refer to the performance of the accounting works and services, corroborated with the time dimension. On the other hand, non-quality in accountancy could indicate: time loads, incorrect information, unsatisfied clients, unqualified staff, the incompetence of the professionals that exert the accounting profession, incomplete financial statements, breaks of the actual legislation. The fundamental problem regarding the organization of an accounting system is connected to the way the accounting information is made up and released. Accounting must record, determine, make stocks, check, provide and communicate a whole range of information, proceeding to the shaping and representation of the transactions through the financial and management accounting.

3. Factors Which Depend on the Quality of the Accounting Information

Quality also means accuracy and convenience of the accounting data, from the moment they are presented to be processed, until they are found in actual financial situations. Quality in accounting depends on various factors, such as:

- *Organization and leadership of accounting in the specific entity.* Quality depends on the ability of the accounting system of the entity to provide professional and of good accounting quality services, as audit, fiscal

consulting, administration and financial consulting;

- *Material and technical endowment of the accounting.* The informatics system must be checked, as the support for the information accounting system (if minimal requirements for accounting programs are accomplished), as well as the conditions of archive registration for the accounting documents, the access to the accounting data. In order to fulfill the demand for quality, an accounting application must respect three essential requests: to correspond to the needs of the beneficiary; to be functional; to be adjustable to the legislation, technical requests. The quality of this program depends upon the track down of errors in accounting and the speed of the providing of the data. The accounting program and accounting system in general must ensure the confidentiality of information;
- *The modality of putting into practice the regulations.* Development of the confidence of the users of accounting information in the final product of accounting is realized in the first place by obeying the norms and the current legislation;
- *Competence and independence of the accounting professionals.* Accounting had always had as main enterprise the activity of professionals well-known for their competence to produce, explore and certify quantified economic data, presented according to the conventional regulations. Accounting professionals can display a positive, but also a negative manner to manifest their creativity. In a positive direction, their creativity in the service of recovering the system errors, derived from strict appliance of the regulations. Such a situation leads to the quality improvement of the information provided to the users. Appliance of

professional regulations is imperative, the reference of the quality control of the accounting services performed by the accounting professionals.

4. Factors that Affect the Quality of the Accounting Information

The errors in application of the accounting principles, the practices of manipulation of the results, the incompatibilities in the exertion of the accounting profession, the legislative instability, inflation are elements which can affect the quality of the accounting information. For instance, the use of the historic cost in order to evaluate goods indicates the real value of the elements of patrimony at the time of their assessment, but further on, there is the possibility that it cannot reflect the reality. On the other hand, the constituting of provisions as an effect of applying the principle of prudence, seen as fiscal deductions has the role to decrease the unfavorable influence of the historic cost about the supra-evaluation of the results. If the provisions are not registered, that can lead to a distorted image of some of the elements of the patrimony, but also to over-evaluated net profits. In accounting, it often happens that the real loss of an entity is bigger than the loss as it appears in the balance sheet, or the real benefit of the company can be higher than the one in the balance sheet. The specialty literature characterizes the politics of manipulation of information presented in the financial statements as 'creative accounting' practices. The 'creative accounting' was defined as a presenting technique of the annual accounts of the companies that allows the display of a new and favorable image of the outcome and the balance sheet. The accountants are able to artificially manipulate the expenses and the income as follows: deliveries of goods and services with the emission of the voucher in the

following closing, the records of the current period for which the invoices were not received are not registered; an exaggerated increase of the depreciations and provisions expenses; the choice of a method of allowance for depreciation which can model the result in favor of the company; delaying the registry of the interests of the financial activity, or from acquisitions or sales in installments; not making the registry of revenues or expenses from/with rents; over-evaluating or under-evaluating the current production. The incompatibility of the exertion of the accounting profession is another factor which could affect the quality of the accounting services. Unfortunately, the book-keeping of some companies (especially of those with a low income figures) is organized and managed by unqualified personnel, who do not have the training and the qualification needed and these facts could affect the quality of the accounting process at a very important level. The accounting profession must be practiced by qualified individuals, who have the specific professional know-how.

5. Indicators for Evaluating the Efficiency of Account's Activity

The complexity of character of the accountants' activities lies in the fact that it is a process undertaken by two categories of persons: the subject of the activity (the issuer, namely the accountant) and the object of the activity (the recipient of information, namely the user). It can be said that the efficiency of the accounting activity is a synergetic effect of individual efficiency of each of the participants, and it consists of: the efficiency of the subject of the activity (the issuer of information), the efficiency of the object of the activity (the recipient of information), the efficiency of the process of emission-reception (the accounting process) and the final efficiency. The issuer's efficiency refers to

the capacity of the accountant to issue real, updated, concrete and complete information. It also includes the professional training, competence, integrity and objectivity of the accountants. The receiver's efficiency refers to the receiver's capacity to appropriate the information transmitted by the issuer, to understand and apply it. The efficiency of the process of emission-reception refers to the production process of the accounting information, to the quality and quantity of the broadcasted information. The final efficiency is more difficult to estimate, because the effects are visible after the accounting information has been used by recipients. It is relatively easy to determine the effort (expenditures allotted for gathering information), but the effects are harder to quantify.

There are many factors that influence the activity of accountants and they can be placed in two categories:

- *Quantifiable factors*: the number and the structure of the employed personnel, especially accountants, financial necessities and availability, needs of informational resources, computers etc.
- *Unquantifiable factors*: management quality, professional know-how of accountants, knowledge of the accounting legislation, the objectivity, competence and integrity of the accountants.

Accountants' results and, implicitly, the efficiency of their work for the company, depend not only on their professional training and competence, but also on the way they manage their time. Accountants must schedule their time in such a manner that allows them to carry on more activities in parallel, such as: gathering, processing and storing of information, and, depending on the context, even the transport of deduction reports and statements where they are needed. Often, they need to allot time for accounting, fiscal and financial consulting the managers of the company

require. In our opinion, the indicators which could measure the efficiency of the accounting activity can be: the quantity of information gathered in a time unit; the quality of the broadcasted information in relation with the total volume of information; added value = meeting of requirements in relation with the cost of information; the result of the decisions substantiated on the accounting information; the percent of accountants among the employees of the company; the ratio between the obtained results and the production efforts.

6. The Value of Accounting Information and the Quality Decision

The value of an item of information depends upon the impact it has over the

future decisions, ensuing the increased subjectivity of its explication and its use. The value of information can be defined as the margin between the net profits generated by choice of decision after information is obtained and the net profits obtained by taking the same decision inconsequential of the information. The net value of the information is, than, the subtraction between the gross value and the cost of information. To be useful in the process of decision-taking, the accounting information must correspond with requirements for quality, the most important being: relevance, reliability, comparability and intelligibility.

The value of accounting information may be counted considering its main characteristics and its cost [5]:

$$V_i = K \left[\frac{1}{F} \sum_{n=1}^F f(A, T, Y, n) - g(P, Y) \right] - h(A, F, T),$$

Considering:

V_i = Information value i ;

K = the benefit obtained from correct decision;

F = the period of time in which the information is used;

n = the number of periods covered by the time F ;

A = the information accuracy;

T = the necessary time to obtain the information;

Y = the number of the decision taken in "n" period;

P = the probability to take correct decisions without having this information.

The user only is in the position to approve the information by using it properly and efficiently. The accounting information helps the user to take the right decision in his activity, and the information depends both on its characteristics and on other external factors. In order that the information to be utilized by an economic entity, it must fulfill the following conditions: to give a fast response to the modification of the conditions of the competition (in this way the new opportunities can be exploited faster and the weaknesses can be

ameliorated), to increase the efficiency and the internal productivity of the company, increasing the managers' productivity (this means that the coordination of the functional elements of the entity are very good); to improve creativity and productivity of the individual and group decision making factors of the organization (this means an improvement of the tools for gathering real and updated information, an improvement of the analysis of information and of the quality of the decision and release, assistance and survey of the implementation of the actions and

decisions of the management). The role of the accounting department is to provide the management of an entity with the necessary information and to draw-up statements for the substantiation of their decisions.

The assessment of costs and benefits is the result of a professional judgment. One cannot establish accurately the benefits determined by accounting information. For lack of direct methods of assessment of the benefits the accounting information brings, the focus is transferred on costs. Many types of costs should be taken into account: direct costs of production and publishing the information, direct costs of alternative sources of information, the cost of interpretation and assessment of information, the cost the user (investor) should support if he would have produce the information by himself/herself, the indirect costs (for example the side effects of publishing information about the activity of the firm). Like other units, the outsourcing units register general expenses. The general outsourcing costs are put together with the costs destined for the labor force when deducing the general cost of the outsourcing. The costs implied by the production of accounting information could also be structured as follows: costs for gathering of information, costs for processing the accounting information, costs for storing the accounting information, costs for communicating the accounting information.

7. Opinions Regarding the Quality of Accounting Information

The objective of this research aims, inter alias, to find some answers to the following questions: What is the role of the accounting in grounding managerial decisions? What can the accounting offer to managers and how do they see the offer of accounting information? Is the accounting information useful for the analysis and decisions made by managers? Is the way managers perceive and use the

accounting information relevant? What tools do the managers use frequently? Is it possible to improve the quality of the accounting process taking into account the managers' attitudes and opinions towards it? Is the accounting information credible for managers?. Synthesizing, the following facts can be inferred from the applicative study: the managers turn their attention especially towards non-standardized situations and reports or statements, but which are fit for the nature of their attributions and activity; they prefer the simplified reports, which use a more accessible language and an adequate technology for the managerial knowledge. The managers propose an accounting system which is easier to follow and check, where the producers of financial-accounting information know exactly which their attributions are as well as the problems they have to confront, thus helping the manager to economize time and money and directs him to investments that improve the economic and financial performances of their company. The financial-accounting information, in the managers' opinion, must be brought up-to-date, help the increase of the efficiency and performance of the firm, improve the managers' productivity and creativity.

8. Conclusions

To conclude, the accounting information can play a direct part in the lowering of the incertitude which the user of the accounting information can have at a certain moment, it has a higher degree of credibility comparable with other sources of information, are understandable to all the users that have knowledge in the financial-accounting field, and the costs for it are lower than for the other sources of information. The image an economic entity acquires through the financial statements and the quality of the information depend on the professionalism and the objectivity of the producers of the accounting information, but also on the correct perception of the users of information of

the message transmitted by means of the accounts, on their personal quality and understanding. The economic entities, through accounting, must provide financial information that allows the investors' access to the accounting information, and the information must be transparent and intelligible, comparable but also relevant. In order to ensure the quality of the financial statement, it should be based, all over the world, on transparent, comparable, timely accessible financial information, and the reporting should be drawn up on the bases of generally accepted and understood in the financial world. The adopting of the international accounting regulations in Romania has led to the increase of the transparency and comparability of the financial information offered by the financial statements, followed by an increased trust of the investors in the financial statements. The process of normalization and harmonization of the accounting allows the economic entities to relate to similar entities on the world level, which means that there must be a single means for communication, and all these lead to an increased credibility and improvement of the financial-accounting information. In order to conclude that the accounting services are efficient, the following aspects must be considered: the capacity of the accounting service to produce regulated accounting information and to adjust to the and to adjust to the changes imposed by the modification of the accounting norms; its capacity to evolve and to respond the demands for information placed by the internal and external users, the involvement of the accounting service in the production, re-financing and management decisions of the entity, the capacity of the accounting service to reduce the uncertainties that result from the relations of the entity with the exterior environment, formalization of the released

information and the continuity of the release of information.

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