

Managers' Perspectives Regarding the Fiscal and Accounting Education in Romania

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Abstract:

This paper examines how accounting and fiscal information is perceived by managers who are not trained in economic/accounting field but do want to understand the way economic transactions are highlighted, systematized and interpreted in order to make decisions. This paper seeks to identify managers' expectations and perceptions on accounting services, as well as the openness towards assimilating the financial accounting information that managers present.

Keywords: fiscal and accounting education, accounting services, decision making process.

1. Introduction

Business people, no matter if they're engineers, doctors, architects or have any other occupation, cannot manage their businesses properly unless they have a minimum knowledge about accounting and taxation. In addition, they are responsible of correctly applying accounting policies and principles in an economic organization. The frequent changes in accounting and tax legislation in Romania do not only pose difficult issues to the professional accountant from an economic entity, but also to its manager. In this sense, what was true yesterday is not today, and what is available today is no longer applicable tomorrow! "This is getting more and more importance as international business environment is characterized by continuous changes and we can see that companies are changing their product and service production locations in order to reduce costs, such location strategies being of high precision of the managerial process"[8].

Thus, for a fair and efficient communication with the person up-drawing accounting and tax information, the manager must be open to assimilate and to know the basic concepts of accounting and taxation. A good manager should be aware of and understand the financial and accounting information submitted by the professional accountant. With the help of accounting and taxation information, the manager can form an overview of the principles underlying cost and results calculation, must understand the content and the purpose of financial – accounting reports. Managers need to know the accounting and tax principles in order to arrive at financial strategies and solutions that would increase cash - flow, minimize tax payments and maximize the return on their investments.

2. Literature review

An increasing number of studies have been discussed about the role of accounting information in decision making processes (Dumitrana, M., Radu, G., Dumitru, V., Jinga, G., 2010; Boghean, F., Boghean, C., Moroşan, L., 2009; Heidhues, E. & Patel, C., 2008; Dyt, R., Halabi, A. K., 2007; Gooderham, P. N., Tobiassen, A., Doving, E., & Nordhaug, O., 2004; Breen, J., Sciulli, N., & Calvert, C., 2004; Argiles, J. M., & Slof, E. J., 2003; Pierce, B., T. O'Dea, 2003; Collis, J., & Jarvis, R., 2002; McMahon, 2001; Marriott & Marriott, 2000; McMahon and Holmes, 1991, and other authors.). Some of the researchers' opinions concerning the role of accounting information in decision making processes are presented in the following.

"Managers primarily use accounting information to develop knowledge of their work environment rather than as an input into specific decision-making scenarios. In this role, accounting information can help managers to develop knowledge needed to prepare for unknown future decisions and activities" [6]. "The most widely used and most useful sources of financial

information are the monthly/quarterly management accounts and cash flow information in various forms” [3].

The literature also is rich in studies which emphasize the role of accountants as business advisers for small firms, in addition to providing basic accounting services (Gooderham, Doving, and Nordhaug, 2004). “In many countries small business accountants play an important role as business advisers for small firms in addition to providing basic accounting services. However, while some small firms make extensive use of external accountants as business advisers, a substantial proportion uses them only to a minor degree” [5]. “Accountants were used for taxation services, although some owners sought more general business advice” [4]. Breen, J., Sciulli, N., & Calvert, C., 2004, investigate the role of accountants in small business and the opportunities that exist for accountants to improve the financial management performance of small firms. Accountant can provide value added services to their small business clients to help them to improve their business performance (Breen, J., Sciulli, N., & Calvert, C., 2004).

3. Methodology of Research

The present research attempts to acknowledge the perspective of non-economist managers towards the utility of services and accounting education in decision making. In order to know in detail the perceptions and opinions of non-economist managers regarding the usefulness of financial, accounting and tax information, we have chosen a qualitative research method called in depth semi-directive interview. “This direct communication technique represents a free conversation, a dialogue, a semi-directive communication which involves the formulation by the researcher of questions with the aim to find out from the interviewed persons, in detail, opinions, perceptions, attitudes regarding the topic, in order to discover the main reasons of its behaviour” [7]. The sample size was set at 10 subjects at random. The subjects, non-economist managers, come from different fields and are presented in Table 1.

Table 1. Data identification of managers

#	Occupation	Age	Sex	Field of activity
1	Wood Industry Engineer	38-48	M	Furniture production
2	Pharmacist	29-37	F	Pharmacy
3	Psychologist	47-55	M	Tourism Agency
4	Actor	29-37	M	Show and Event Organizer
5	Programmer	29-37	M	Web design services
6	Architect	38-46	F	Architectural design
7	Aircraft Engineer	38-46	F	Food trade
8	Construction engineer	Over 56	M	Civil and industrial construction
9	Textile Engineer	38-46	F	Garments production and trade
10	Forestry Engineer	29-37	M	Domestic and international transportation of goods

For an effective research, there was designed a questionnaire for the selection of the respondents and a list of topics that were reached during the in depth semi-directive interview. In the development of the selection questionnaire there were included questions that led the research to representative subjects, in order to achieve the objectives, namely managers who have non-economic training.

The issues covered in the interview are transposed into objectives and concern: 1) the accounting services and the utility of financial-accounting information in the decision making process; 2) types of financial-accounting and fiscal information required by managers; 3) the relation between the provider of the financial-accounting services and the beneficiary; 4) the financial-accounting and fiscal education needed to conduct the business; 5) duties and responsibilities of the directors of economic entities.

Depth interviews were recorded on audiotape. The information collected through the in depth semi-directive interviews was analysed with the help of the analysis of the content – a specific method of analysing qualitative data.

4. Research objectives

The aim of the qualitative study is to know the perceptions of non-economist managers regarding the relationship and the cooperation with professional accountants, the quality of the accounting information, as well as knowing the managers' vision towards the financial-accounting and fiscal education from Romania.

The main objectives of the qualitative research focus on: 1) knowing managers' opinions about accounting services and the usefulness of financial-accounting information in the decision making process; 2) identifying the categories of financial-accounting information required by managers as being indispensable in the process of conducting a business; 3) managers' expectations regarding the cooperation with professional accountants, managers' perspective on the relationship between the service provider and its beneficiary; 4) managers' perspective regarding the financial-accounting and fiscal education needed to conduct a business, their openness towards learning basic concepts in the financial-accounting and fiscal domain; 5) managers' perception regarding their duties and responsibilities towards the financial-accounting activity.

5. Results and Discussion

The paper, through its results, reveals the perception of non-economist managers regarding the need of accounting and tax information in their decision making. Based on a synthesis scale, resulted from the obtained primary data, there has been made a vertical and horizontal analysis of data. Vertical analysis involves addressing within the same interview how each respondent approached the themes and subthemes of the in-depth interview, and horizontal analysis reflects how each theme or sub-theme is approached by all respondents. The analysis, based on the obtained data, reveals sensitive differences of opinion among non-economist managers on how to approach relationships with professional accountants and their attitude towards fiscal and accounting education programs. It can be seen that engineer respondents, men, are more pragmatic, they approach most of the themes in a concise and logical manner, achieving key points for each of the defined topics. Because of the fact that they present prudence when it comes to reliance on tax and accounting services, they are interested in exploring this area and willing to follow education programs in this direction. They are not willing to entirely leave themselves on the hands of the economist of the company they manage.

Regarding the first theme, *accounting services and the usefulness of financial and accounting information in the decision making process*, managers believe that accounting information must include appropriate terminology which is adapted to their knowledge, processed according to their needs, must be presented as suggestive as possible, using graphs or tables. According to the managers, providing quality services requires a high degree of understanding and patience from the professional accountant, in order to find an accessible language, less technical, to present the accounting information. Accounting services, in their opinion, should be diverse, ranging from document processing and accounting, identifying the nature of transactions, financial reports and fiscal analysis to legal information and counselling. Some of those interviewed (three people) look at accounting services as an obligation required by law, not as a necessity in business management, which reduces their important role in qualitative management, measurement and evaluation of the business. The importance and quality of accounting services is overshadowed by fiscal constraints and a lot of bureaucracy. Managers stated that they show great respect to the tax and accounting field, but consider it difficult to understand, complex, constantly subject to legislative change, a field that only accountants should deal with. Another category of managers (6 people, mainly engineers) considered accounting services essential for the smooth running of the business.

Financial-accounting and tax information, considered by managers useful in the decision making process, are, in order of their preference, the following: information regarding costs on products, orders or batches; method of preparation and proper management of cash flow; influences of the selling price on revenue and costs (cost-volume-profit analysis); method of calculating taxes and ways of reducing them; deductions and tax incentives which the economic entity could benefit from; using financial instruments for tighter control of income and expenditure; amount of taxes and payroll contributions; economic and financial indicators of the company's liquidity and solvency; tips on how to reduce debt; the cheapest way of financing a business; accounting and tax treatment of dividends, of price cuts, of taking over property lease, etc. Notions of value added, net income, profitability, cash flow, borrowing rates are just some of the things managers mentioned as being necessary in their decision making process.

Managers' responses regarding the third theme, *managers' expectations on working with accounting professionals, their perspective on the relationship between the service provider and the beneficiary*, reveals that they have high expectations from the accounting services and from the accounting professionals, considered "people good at everything". According to managers, an effective cooperation with professional accountants includes: maximum availability of the professional accountant who must be always available for counselling the manager; active participation in decision-making and involvement in the activity of the company by finding the best financial strategies in line with company policy; adaptability to taxation and accounting environment changes; experience, if possible, in companies with the same field of activity; fairness and transparency. Four out of the ten people surveyed believe that a collaborative efficient relationship must be based on trust and on the ability to convey information in a less technical style, understandable for all managers who have no background in economics. Another category of managers (three female managers) described the relationship with their accountant as a lack of communication, interest, distance, indifference and sometimes conflicting. The accountant must understand the company's business and the strategy a manager implements; if he really understands the strategy, then he can add value to it. A real business partner accountant can identify the best form of taxation; he can get involved in finding financing sources (to determine financial priorities), he can calculate the profitability of the business and make a cash flow scheme, etc. Another category of managers (4 of the respondents) described their relationship with the professional accountant as being a good one, based on trust and professionalism.

As regards the fourth theme under analysis, *managers' perception regarding the financial-accounting and fiscal education needed to run a business, their openness towards learning basic concepts in the financial-accounting and tax field*, there has been expressed a number of views presented as follows. A large part of those surveyed believe that a good manager must have knowledge in several areas and especially in economics; he must have an economic and commercial flair; he must know how to distinguish between expenses and debts, costs and prices, revenues and earnings, and so on; he must possess minimum knowledge in the financial-accounting field so that to be able to control everything happening in the economic entity he runs. Leaders of economic entities who are not aware of what financially happens, those who do not know how to properly plan their financial and accounting work, might reach moments of difficulty in their business, leading to the liquidation of the companies. Those managers who focus more on the professional aspect (providing quality services) and neglect the financial accounting and tax business (which is left strictly to the hands of accountants) are not able to easily analyse business opportunities and their financial risks. "On the other hand, lack of a risk management can lead to financial wastage, such as loss of profit or generating other nonsense issues, situations that may arise as a result of implementation of safety and protection inadequate measures. For example, implementation of an inadequate risk management reduces chances concerning access to contract a bank loan in the future, thereby reducing the institution's trust towards capital management skills, and thus of your business. Although, the current risk management procedures may vary from a small company to a large one, problems that arise because of an inefficient management could be the same" [9].

For an effective financial planning of the business, in order to understand, follow and correctly interpret financial data from the reports provided by the accountants, managers think that it is useful to have a basic knowledge in the financial-accounting and fiscal field, in other words it is necessary to follow, according to them, an accounting and tax education program, called “the management of money, income and taxes”.

Tax and accounting education helps managers to become more responsible from an economic and financial point of view, to understand how important to comply with accounting and tax regulations in business decision making is.

Answers to the fifth theme, *managers' perception of their duties and responsibilities regarding the financial- accounting activity*, indicates the assumption degree of managers' responsibility towards the accounting data and information. In general, managers tend to transfer the duties and responsibilities to accountants and economic directors.

“The financial-accounting services, namely the accounting profession is different from the other professions in terms in undertaking the responsibility towards the public interest, towards all the parties implied in the activities carried out within the company: shareholders, employees, providers-creditors, banks, budget, national accounts, stock exchange organisms and investors”[1].

The manager, ever since the company is founded, has to fulfil certain accounting and fiscal obligations, which require him, in accordance with the law, to organize and manage his own accounts in separate compartments led by a chief accountant with higher economic education or to conclude contracts providing services to a company in the same field. The responsibility of conducting financial activities in a company lies with that company's administrators. Failure to comply with the obligations set out by the accounting law or tax code, a small miscalculation of fees or taxes owed to the State may cause, as appropriate, either financial losses (if not the bankruptcy) or the responsibility before the law of the manager in charge.

6. Limits of research

Interviews were conducted in the location chosen by the respondents and their duration, in most cases was between 45-50 minutes, which proves managers' interest in addressing the issues under discussion. The present study has some limitations, such as: in the achievement of the synthesis scale there might be some errors caused by the lack of organization of certain information which means that the information does not appear in the grid; because most of the interviews were conducted in the offices of managers, there have been some interruptions caused by the work carried out by them, which determined the fragmentation of exposure and the possible loss of information; the lack of a psychologist to help interpret the results of primary data processing; the conclusions obtained from this research cannot be extrapolated to all managers in Romania.

7. Conclusion

The conclusions and the results of our study provides us an insight into managers' perception and perspectives regarding the importance and necessity of broadening the sphere of knowledge in the financial- accounting and fiscal area and towards the leaders of economic entities who have no background (base, background) in the field. For managers, the accounting and fiscal information is not just a tool in the decision making, it is also a way to communicate with external users, a way to provide an accurate picture of the entity they manage. The financial and economic crisis has revealed certain management mistakes due largely to the ignorance of certain aspects of accounting, financial or fiscal nature, or to the lack of advice from professionals in the field. The diversity of financial accounting and tax regulations, the dynamics of changes, the financial crisis, may create difficulties for the Romanian managers, therefore it would be justified, in their opinion, attending a fiscal and accounting education program that provides them with tools for a stricter control of the revenues, expenses, costs and resources. Non-economist managers, through a program of financial accounting and tax education, can form a clear picture of the financial side of the business, can properly administer the available budget, can understand a cash flow, can create a financial

development plan for the future and can understand the correct way of calculating taxes and contributions to the state budget. The lack of fiscal and accounting education of the accounting information user, of the accounting service recipient and of the manager, creates a discomfort in the relationship between them and the partners (including professional accountant). Misunderstanding the nature of the tax and accounting aspects of the business, the erroneous dimensioning of taxes or charges can have serious effects on the business and can determine not only the responsibility of the economist but also of the economic entity's manager. No matter how well the professional accountants would perform their tasks, a good communication requires effort, patience and a fiscal-accounting education program from the user of the accounting-information, respectively from the non-economist managers. Among the non-economist managers should occur a change in mentality, attitude, business strategy so that the accounting and fiscal area would not be totally unknown to them, hard to access and they should not look at the accountant as the solely responsible person of all the financial-accounting and fiscal activities within the company.

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