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ABSTRACT: Due to rapid changes occurring in computer technology, banks are facing risks specific to electronic banking activities and electronic currency. At this level, it appears that operational risk, legal risk and risk of second level represents the most important categories of risks, in particular for international banks.

KEYWORDS: risk, operational risk, e-banking.

1. INTRODUCTION

You can appreciate that introduction to the theory and practice of banking risk is the following assumptions:

• Risk is inherent in any economic activity, influencing his decisions.

• Attitudes towards risk is different and depends mainly on two factors: the size of the expected profit and the likelihood of profit.

There are two possible ways of risk assessment:

a) through qualitative methods- when determining the profit expected usefulness and influence of possible losses to the business.

b) through quantitative methods-when assessing the size of the expected profit (losses possible) and their likelihood.

Bank risk assessment is a process that implies the identification in advance by capturing the forms under which the risk materializes.
2. OPERATIONAL RISK

Operational risk arises from the potential loss due to significant deficiencies in the integrity and viability of the system. Security considerations are paramount, if banks are subject to external or internal attack over their products and systems. Operational risk can arise from non-use of electronic money systems or electronic bank, as well as the inadequate implementation of these systems. Operational risk is one of the oldest types of risk faced by banking institutions. There are some aspects of novelty regarding this type of risk, namely:

- Perception that operational risk has increased in recent years;
- The establishment of a legal framework and a separate study of this type of venture in parallel with those already enshrined (credit risk and market risk);
- Inclusion of this type of risk in the management of banking risks.

Currently, it has gone from lending in lax lending that unfolds with greater caution. Banks have shifted deadly points of interest revenue and market share in the operational sphere by means of packages of the current account to trading. Income from operations while less risky as the lending should be monitored through advanced methods of operational risk management.

Specific operational risk e-banking activity includes the following factors: system design, implementation and maintenance; lack of information about the bank services and products by the banks' clients.

Banks are faced with a situation where the system chosen for application of electronic banking is not well defined or implemented. Many banks are using third-party services to implement and support the e-banking application.

This outsourcing of services allow banks a cost reduction with maintenance, monitoring, and modification of the application, but constitute a source of operational risk because vendors chosen for this might not live up to the requirements of banks, or simply not comply with deadlines for delivery of the products.
Thus, a bank is exposed to the danger of interruptions or slowdowns of their systems, whether electronic or electronic money chosen by the bank are not compatible with the requirements of the user.

The risk is increased when a bank is unable to properly educate their customers about the security precautions. In addition, in the absence of adequate measures of verification of transactions, customers would be able to reject transactions that we have recognized in the past, creating so many bank financial losses. Customers who use personal information (login information, credit card numbers, etc.) in a secure connection changes to electronic transmission may allow malicious individuals to gain access to clients' accounts. As a result, the bank may suffer financial losses because of unauthorized transactions. Money laundering can be another source of concern.

In addition, they have appeared lately and new risks such as the risk strategy, which occurs as a result of lack of understanding of the business leaders about the potential and the implications thereof in the Bank's management.

Second level risk is the risk caused by a significant negative public opinion that consists of a critical funds pery or customers of the Bank. Second level risk can arise when the actions the bank produced a major confidence-pery public in the ability of the bank to perform critical functions in order to continue their activity. Second level risk is important not only for a single bank, but it is important for the whole banking system.

Legal risk arises from violation or noncompliance with laws, rules, regulations or practices prescribed or when the legal rights and obligations of the parties involved in a transaction are not set correctly. Banks engaged in activities of "e-banking" or "e-money" may face legal risks relating to the disclosure of information about customers and the protection of bank secrecy.

Determination of risks is an ongoing process that involves the following three stages:

- the Bank engages in an analytical process for identifying risks and where possible, measurement. Where hazards
cannot be commensurate, the Bank's management determines the potential risks that may arise, the steps to follow and the impact it can have on the Bank.

• Establish means for the Bank to determine the risk tolerance of the Bank's risk, which means the losses on setting and enable the Bank in case of any unforeseen events.

• The Bank's risk tolerance can compare with the magnitude determined for a given risk, for the purpose of determining whether that risk falls within the tolerance.

After determining the risk tolerances, the Bank needs to manage and to control them. This phase of the risk management includes activities such as:

• coordinating internal communication,
• implementation of protective measures against risks outside their control and management,
• briefing reviews of the clients for the use of the services, etc.

In order to reduce the risks it is necessary to regulate listed all "e", the establishment of an appropriate infrastructure, and to specify those which must authorise and supervise these activities.

It also required a major interface with the classical systems of Commerce. The key element is the Bank, whereas any commercial activity is mediated by money. Inserting a bank in e-commerce system requires a secure connection between the Bank and the user, through which you can perform operations in real time.

3. THE BASEL AGREEMENT

Since 1974, Basel Committee on banking supervision (Basel-BCBC Committee on Banking Supervision) was intended to promote the stability of the global banking system. However, because of the maturity of the methodologies underlying the calculation of the risk that have induced a degree of sophistication of the banking activity, as well as neglect of operational risk in the Basel I, Basel I Accord revision required
and just appeared at the end of 2003, the final shape of the Basel II Agreement (which has undergone a consultative process with the institutions concerned-regulatory and trade since 2001). From this point on, basically the banks have three years to implement the requirements of the Basel II Agreement. It is composed of three pillars, namely:

**Pillar I:** minimum capital requirements, Coverage, methodology and specific regulations for credit risk and operational risk. Here is the method of calculation of own funds on the basis of new requirements for the classification of types of risk: credit risk, operational risk, market risk. Thus, in accordance with the Basel II Committee, operational risk is the risk of direct and indirect losses resulting from procedural errors, or human or systemic risks that may result from external events. These risks should be treated with all the attention, the impact of such risk spreads throughout the Bank and may affect the relationship with our customers and their satisfaction, without quantitative implications, in terms of value can be measured accurately.

**Pillar II:** ensuring prudential supervision: creation and validation of a set of internal procedures of each financial institution, through which to evaluate the adequacy of own funds corresponding and consistent risk profile of protection agencies.

**Pillar III:** ensuring the discipline of risk management, by promoting market transparency; Basel Committee imposes transparency of accurate and detailed disclosure concerning risk management. Compulsory information published are organizational, methodological and strategic risk, financial literacy (structure and the total amount of own funds and the accounting methodology for the management of assets, liabilities, provisions), information regarding credit risks (total allocation), information about operational risk (loss generating possible events).

From April 2013, until 2015(2018), it will make passage of Basel III. Basel III was supposed to strengthen bank capital requirements by increasing bank more and decreasing bank leverage.
4. CONCLUSIONS

The banks must respond to risks by developing clear strategies, to start up and to take into account all relevant effects of e-banking. Such a strategy must be distributed efficiently throughout the transaction and must be based on a proper business plan, in order to effectively monitor the performance of e-banking activities.

Basel II proposes a significant increase in the level of transparency of financial information through both temporal regularization (twice a year or, in some cases, quarterly), detailed reports on the financial exposures and losses resulting from the practice of risk management.

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HUMAN RESOURCE MOTIVATION - PRECONDITION FOR PERFORMANCE GENERATION

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ABSTRACT: Obtaining performance in general, but also human resource performance in enterprises depends in most cases of reaching a suitable level of motivating employees, be it in terms of salary, whether it comes to other sets of benefits. Positive results in an enterprise are not easily achieved, especially in the context of general economic imbalances and a weakened structure, due to a phenomenon as complex as the economic crisis.

KEYWORDS: performance, human resource, enterprise, motivation, employees.

1. MOTIVATION AND MOTIVATION THEORIES - THEORETICAL PERSPECTIVE

Over time, the motivation of human resources was viewed differently by the authors in the literature, a number of theories being developed from different perspectives, both in terms of approach and determinants of the phenomenon in general. Motivation remains one of the main parts of human resource management as it can develop as a generating factor of performance. In terms of modern management, it becomes vital to address employees' behavior regarding the forecast of future evolution. This process becomes more difficult considering the fact that each individual is unique in his own way, and therefore an individual’s needs differ from the other’s, depending on the current circumstances or the current context. Considering the previous statement, the real difficulty appears when the
motivation has to reach a group of people or even the entire organization.

Literature remembers the "tools" specifically intended to surprise and trigger the motivation of individuals, depending on the objectives intended to be achieved. With this in mind, managers can turn to a number of motivational strategies, applying several different approaches, including fostering a constructive competition among employees, with the purpose of increasing individual performance.

During the decades, in literature there have emerged a number of motivational theories which have all tried to capture the main issues regarding the stimulation of human resources. They have brought together the main concerns of managers, sociologists or psychologists on issues mentioned above.

But generally accepted hypothesis is limited to the following ideas: motivations are not similar, they differ from one individual to another, even existing different perceptions of the same problem, when the individuals manifest differently in relation to a certain situation.

Various authors have formulated over time a number of theories that capture motivation in its various aspects, from stimulation through wage (Taylor) to motivation using the diversity of work (Mayo).

One of the most complex theories is the one that addresses the motivation of human resources through the method of comparison X,Y,Z. The author is Douglas McGregor, who has developed the X and Y theories, the Z theory being developed by Ouchi. The first one assumed that individuals exhibit a negative state to work in general, being glad if they do not have to provide work. To enable them to engage more strongly, they should be stimulated, by using sometimes less pleasant methods as coercion, permanent control and various types of sanctions.

According to Theory Y, on the other hand, tasks are received with more openness and rationality, individuals are receptive to the organizational goals, work is considered a natural duty, through which there are achieved both organizational objectives and the individual ones. Responsibilities are undertaken deliberately, individuals
exercising their imagination, creativity and freedom of action. Theory Y is based mainly on the active involvement of employees in all activities of the organization, manifesting indirect supervision, the maximum potential employees being used.

The third theory is developed the theory referred to as Z, which appeared later than the other two. The author is the Japanese Ouchi, principles being based on the following ideas: focus on group, not on individuals, dedication, respect and group work.

According to Frederick W. Taylor, on the other hand, the main ways to increase efficiency in an organization is limited to wages and work standardization rewards. It requires the idea of rewarding those who exceed the daily quota established, while Mayo advocates for diversity and reducing monotonous nature of the work, which would be designed to "reduce motivation" (Tudor Hobeana, in Nicolescu, 2004), imposing instead a participatory management, but also stimulating creativity, being an approach that promotes the freedom of decision.

Beyond these classical theories, however, there were elaborated some modern theories regarding motivation. Most have as a starting point the idea of needs.

The most famous of these remains the theory proposed by Abraham Maslow, based on the hierarchy of needs, which assumes that people act in accordance with the types of needs identified at some point, according to a hierarchy pyramid scheme. This theory has served as a starting point in determining the main factors triggering generates human needs.

Another motivational theory developed by this time the IS Adams is one of fairness, which assumes that within an organization, the reward shall be divided in accordance with the merits of each employee. Rewards are thus calculated based on each one's contribution to carrying out the organizational entity. At the same time, the rewards can become elements generating tensions or conflicts, but it can also turn into motivations. Talk of tension when individuals believe that they have been paid less than the level toward which they targeted, or if two employees received the same reward regardless of the fact that one of them made more hard work than the other.
Rewards can turn into motivations, both positive and negative, gained during exhaustive if employees believe that they have been advantaged or disadvantaged contrary, compared with work.

Maslow's theory has served as the foundation for the development of other perspectives, called ERD, which restricts the needs to three levels, namely: the existence of needs, networking needs and also development needs (Tudor Hobeanu in Ovidiu Nicolescu, 2004). Clayton Alderfer claims also that managing motivation is that an individual can pursue simultaneously satisfying several categories of needs. And if the processes of satisfying a higher order needs are hampered by various external factors, the subject will seek to continue to focus on meeting the needs of lower order.

Expectations theory developed by Victor Vroom, aims to identify the factors that determine motivation, but also the underlying performance. Professor Tudor Hobeanu states that motivations are driven by "expectations and valences" expectations designating "the probability that a behavioral act will bring some desired result", this confidence being placed on a scale with values in the range [0,1]. He dismisses such expectations as "effort - performance" or "performance - reward". In the first case, an individual is convinced that effort will lead to performance to match, while the second case is based on the belief that high performance will lead to a similar reward.

2. THE CONCEPT OF "PERFORMANCE" AND "HUMAN RESOURCES PERFORMANCE"

Before speaking of performance management, performance determinants and ways of stimulation, also about the analysis of these issues, it is necessary to address performance in terms of conceptual, both in organizational point of view and as a way of behavior or attitude.

From an organizational viewpoint, it includes the concepts of "measurement", "analysis", "assessment", the performance being defined as a state of competitiveness of the company, reached by a level of efficiency and productivity that ensure a sustainable presence market" (Lala, Miculeac, 2012 ).
"The information about the performance of an enterprise is required to assess potential changes in the economic resources that the enterprise will be able to control the future."

The concept of "performance" is required to be defined by many variables. We can refer on the one hand to results, therefore what can be achieved from certain activities, but at the same time we consider the concepts of effectiveness, efficiency, respectively in terms of, on the one hand, the need to perform a whole series objectives, on the other hand the idea of assessing the cost / result.

In the literature the authors studied how the performance can be defined, calculated, how establishing relationships or connections between the various factors that contribute to influencing the activity of an enterprise. Youndt, Snell, Dean, Lepak (Youndt MA, Snell SA, Dean JW, DP Lepak, 1996) have outlined ideas that provides a direct link between performance and achieved permanent and strategies implemented, while other authors (Purcell, Guest), identify a direct link between performance and human resource management as a whole.

According to Donald Currie (2009), on the other hand, "the level and quality of performance of an employee is determined primarily by the employee's ability to perform assigned work, "but also" employee motivation to do thing".

Performance, according to Currie, becomes equal to the following relationship: Capacity x Motivation.
\[ P = C \times M \] (1)

Performance varies depending on several criteria, taking into account the type of activity, but also the complexity, standards are set by means of indicators such as:
- Amount;
- Quality;
- Execution time;
- The costs involved;
- The efficiency of the work performed.

The main factors influencing the performance achievement become this way the capacity and also motivation as a whole, as was mentioned above, motivation, in turn, is influenced by several other factors, both organizational, attitudinal or in terms of personality.
According to the studies in literature, organizational factors that influence motivation can be grouped as follows:

**Fig. 1 - Organizational factors influencing motivation**
*Source: author interpretation after the ideas developed by Currie*

Motivation theorists have tried over time to demonstrate that motivation leads to better performance while generating it causing job satisfaction. Performance management is thus a complex process that consists not only in the collection of data in accordance with the achievement of a predetermined set of objectives, but may be regarded rather as a "system" optimization through achieving a required level of efficiency.

Performance management is emerging but the results management system can be viewed and analyzed by many indicators, both qualitative and quantitative (efficiency, effectiveness, quality, fit in time, productivity and safety). First developed in the public sector, is a tool used since the 1980s, focusing on "the consequences of an activity" (Jeong Yeon Kim, Hangbae Chang, 2013).

Research in the field (Youndt, 1994) demonstrated that "human resource management and performance (...) assume that every organization seeks a set of objectives and practices of human resources, in contrast to at least three recent
developments". There are also approaches that the impacts of achieving a certain level of performance is difficult to prove, just because the approach is achieved unilaterally only in terms of management, not the workers, on the other hand it should be noted that there is a limited set of criteria for measuring performance.

Do not identify a single level of performance, on the contrary, is a multi-level criteria, each of which may be influenced by a number of factors general or specific, and based on the resource key generating characteristics.

An also important issue is that human resource management in general and specifically performance management are an integral part of the overall strategy of the organization and should be managed in such a way as not to depart from the general policy.

According to research by Nankervis, Compton and Baird (2005), there have been developed a number of relationships between human resource management, namely strategies implemented in organizations. This includes:
- Strategies to accommodate human resources, just follow the previously established general strategies;
- Interactive strategies;
- Integrated strategies, reflecting real practice of strategic management of human resources.

According to the literature (Jeong Yeon Kim, Hangbae Chang, 2013), the performance analysis can identify several ways: the processes of input, output and analysis results. Each of them has its own specific purpose, this way:
- Analysis based on input processes reveal whether the preliminary planning done is respected in terms of resources;
- Output analysis aimed at testing purpose projects, depending on the inputs made;
- Analysis of the results usually appreciate the final results obtained.

In analyzing the performance of human resources are set a series of objectives that are to be achieved, namely:
- Determination of training and identification of actual performance level of human resources;
- Identification of potential performance level of human resources;
- Preparation of a SWOT analysis of employees and identification of the current level of knowledge, skills and abilities;
- Identification of the main ways of reasoning and prediction of their effects;
- Identify professional development needs.

Performance analysis is necessary to achieve a given set of pre-established standards, which must be taken into account in determining an employee's duties, and the levels expected to be achieved.

Generation of performance in terms of market activity is essential for any business to be able to maintain its position. And in terms of human resources, their productive capacity is being enhanced by appropriate means of motivation and development.

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7. Nicolescu Ovidiu, Managerii și managementul resurselor umane, București: Editura Economică, 2004
ABSTRACT: The company’s adaptation to the changes of the general environment constitutes the essence of the strategic diagnosis at microeconomic level. The dramatic changes in the geopolitical, ecological, social and technological level which took place and have taken place lately generate very important consequences on the microeconomic entities and, respectively, on the strategies they adopt. The countries in the Eastern Europe started the ample process of restructuring their own industries concomitantly with the reform of the political system, starting the competition in the economic environment. All these social, political, cultural, economic and geopolitical changes influence significantly the microeconomic performances.

KEYWORDS: The companies, external environment, the international order, The economic environment, The technological environment, The social and cultural environment.

The companies which anticipate correctly the changes of the external environment and put to advantage the opportunities created by these changes, protecting themselves of the potential dangers and threats, register superior performances. Emergent industries in the Eastern Europe have created and create important opportunities.

The companies represent “economic institutions” which activate in a world of resources, products and people. Their relevant environment represents a biosphere which includes the human side - economic, technological, social, cultural and political and the natural side – raw materials, biology, atmosphere.

The international order includes the social, political, economic, cultural relations, they being developed in each state,
as well as between states and nations. They have their own institutional system, their own history, their own processes which serve as general business environment. At international level, mutual treaties and international law govern international economic relations. In spite of the apparent separation between nations, their economies are, in fact, in a close interdependence.

**The economic environment** is made of world economy, national economies, local and regional economies, as well as the commercial international rules. The macroeconomic indicators, such as Gross National Product, interests’ rates, unemployment rate, monetary indicators measure an economy’s health status. A fundamental understanding of the national and world economy’s global structure is essential for the strategic analysis. In order to define some competitive strategies, the most relevant part of the economic environment is represented by the activity sector specific to the company. Each sector of activity has its own structure and a characteristic system of factors which influence the profitability level.

**The technological environment** influences the activity of the microeconomic entity through the changes in the sector of product or process technologies. The product technology refers to its projection, characteristics, inovation. The changes which occur in the product technologies can wear morally some products, affecting the current demand for them or reducing their life cycle.

The technology of the manufacturing processes refers to the system of knowledge used to really make a product. The effect of the inovations of process technologies may take the form of important manufacturing cost reductions, which will create important competitive advantages for some companies. Other direct effects may consist in the improvement of the qualitative parameters of the product, as well as in the increase of its manufacturing rotation.

**The social and cultural environment** includes the social tendencies which affect directly or indirectly the microeconomic organisations. They include: evolutions of the demographic factors, life style, social relations between people as fundamental elements.
If we refer to cultural aspects, they influence the companies’ goals and values, the system of symbols agreed by them. Especially in the multicultural societies, the understanding of traditions, customs and specificity of each cultural level represents an important factor for success.

The interdependencies created at the level of national economies and, respectively, between them, at global level, present major implications on the economic agents. Macroeconomic indicators, as well as national policies influence directly the activity of each microeconomic entity. All companies make forecasts on the economic and financial activity on the basis of budgets, such as the income and expenditure budgets, by taking into consideration a series of macroeconomic indicators – inflation ratio, exchange rate between local currency and a hard currency (USD, EURO etc.), GNP evolution, average costs of the credit etc. The failure to make the fundamental hypotheses relative to the evolution of the macroeconomic environment as a whole constitutes a factor which will perturb the fulfillment of budgets at microeconomic level.

The economic environments characterised by high degrees of instability at macroeconomic level affect negatively the evolution of entities at microeconomic level, that is why the forecasting tools regarding the evolution of the commercial company are absolutely necessary. The most known forecasting tools are the budgets and forecasting accounting documents: balance sheets, profit accounts, cash-flows, investments budgets, sales budgets etc. The analysis specific to the dynamics of a commercial company’s activity can be done only on the basis of comparable data.

M. Porter thought that the first important factor which influences a company’s profitability is represented by the sector in which it develops its activity.

The effective analysis of the activity sector is done with the following phases:

a) to identify the strategic segments;
b) to define their characteristics;
c) to analyse the competitive forces, to evaluate the potential of each sector;
d) to analyse the positioning of competitors;
e) the forecast to evolution of the sector and make scenarios.

Regarding the definition of the strategic segment, the industry represents the main analysis object of the competitive environment. In the definition given by Porter "the industry represents a set of companies which manufacture substitutable products in a strict sense".

In exchange, Atamer considers this definition as being broad enough from the content point of view; that is why he proposes to take into consideration the two constitutive parts of the market:
- demand – it has as a starting point the substitutability of the products;
- supply – it starts from the homogeneity of the technologies used.

Regarding the classification of activity sectors, in Romania, at the basis of this classification may be found the CAEN codification in which the main activity of each commercial company is situated. When we talk about "the main activity" we take into account that the majority of companies included in their activity object several activities (services). The structure of the company’s turnover identifies the product (group of products, activity or service) which has the highest rate within the mentioned indicator.

The necessity to use this instrument derives from the market’s heterogeneity as a whole, in terms of cost, as well as in terms of value for clients.

A particular importance is represented by the delimitation of the competitive environment from the geographical point of view, which can be done on the basis of market segmentation. The fact that the strategic diagnosis refers to a long period of time must be taken into account. In this temporal interval, an industry which at present is a "domestic" one may turn into a "global" one in a far or less far future. Other reasons which sustain the necessity to segment the activity sector on the basis of the geographical sector reside in the particularities which can appear in the behaviour of clients (customers) from different geographical areas, as result of
traditions, customs etc, as well as in the purchasing power, indicator which registers geographical variations in most of cases, imposing different methods to approach those markets.

The groups of clients, at their turn, can be structured on categories such as age, gender, size of current incomes, education level etc.

In fact, the turnover registered by a company represents the sum of its sales on each market segment.

\[
\text{Sales} = \text{Commodity market } (i) \times \text{Market share } (i) \times \text{Average sale price}(i), \quad \text{where } i = 1, 2, ..., n \text{ signifies the segments of the whole commodity market.}
\]

The essential goal of market segmentation is to generate a superior level of incomes compared to the situation when the market would be approached globally (not segmented).

Recent developments of the research in this sector have identified a new marketing segmentation tool, namely perceptual segmentation. The key of perceptual segmentation consists in identifying some groups characterised by a behavioural homogeneity in relation to the offered product or service. The evaluation criteria valued by buyers differ from one product to another. The general opinion is that segmentation represents a very necessary tool to marketing, whose role consists in maximizing the company’s sales on the basis of structured receipt of information supplied by customers. It is not considered that the segmentation tool represents a source to create competitive advantage, especially if we take into account the definition given by Porter to this notion, namely the necessity that the competitive advantage must be held in a durable manner by the company.

Determining factors of profitability at the level of activity sector

On any market, either it is national or international market, or we refer to a product or a service, the competition results from the action of five forces: the danger represented by potential competitors, the threat of substitutive products, the negotiation power of clients and, respectively, of supplier and the rivalry between the companies already on the market.
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IN VIEW OF A BUSINESS ACCOUNTING PLACED WITHIN THE CORPORATE GOVERNANCE CULTURE

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ABSTRACT: The present paper constitutes a research based on the agent theory and on the efficient-market-hypothesis, intending to be atypical as compared to the typical, flexible and dynamic with respect to the performance of the resources investment and exploitation, of the capital maintenance and development or, from a different perspective, an accounting placed within the Corporative Governance culture, able to provide relevant, exact, transparent and responsible information, meant to monitor the corporation’s behaviour and efficiency.

Therefore, according to the agent theory, the company is regarded as the amount of controls associated delegations, a knot of contracts, and not as a social group or an institution. The second theory, the efficient-market-hypothesis, particularly justifies the use of fair value as an evaluation criterion.

The methodology specific to the two theories will be presented through the lens of Corporate Governance. At the same time, it undertakes a compared analysis between the IFRSs and the Romanian Accounting regulations, on the implementation of international standards.

KEYWORDS: agent theory, efficient-market-hypothesis, information transparency, information confidentiality, information relevance.

In View of a Business Accounting Placed within the Corporate Governance Culture

The term of „governance” is synonym in Romania with the notion of “administration or administration processes”. (Ghita, 2008). In the Romanian language vocabulary there is also the term of “governance”, which mean “leadership” and
which implies all the activities within an entity that belong to management.

In the Anglo-Saxon system the concept of corporate governance is employed, this term making its way into the practice of auditors. (Ghita, 2008). With this meaning, the word “corporate” derives from “corpus”, which leads to the idea of ensemble, whole, unity, organization.

Consequently, Sir Adrian Cadbury defined corporate governance as being “the system through which corporations are guided and controlled”. (Cadbury, 1992).

Corporate governance is a concept that penetrated the specialty literature in the last two decades, appearing in the common language in the 70’s in the USA, as a response to a series of impressive failures in the private domain, in a relatively short period of time that shattered, through their amplitude, the trust of the investors in the way both big corporations and public institutions were governed.

Taking into consideration the fact that, in what the definition in the specialty literature of the concept of corporate governance is concerned, there is no unanimously accepted definition, we shall present several interpretation of this notion, as it follows: (Ghita, 2008).

- The governance is a combination of processes and structures implemented by the administration board in order to inform, lead, direct and monitor the activities of the organization, in view of achieving the pre-established objectives.
- The corporate governance represents the way in which the suppliers of financial resources of a company make sure they will receive the benefits they expect from this investment
- Corporate governance may be defined as the assembly of the relationships of a company with its shareholders, or, in a broader sense, with society as a whole.
- Corporate governance is a set of rules according to which enterprises are led and controlled; it is the result of some norms, traditions and behavioral patterns, developed by each legislative system.
• **Corporate governance** refers to the promotion of fairness, transparency and responsibility at a corporative level.

• **Corporative management** represents a set of laws, norms, regulations and behavioral codes adopted volunteering, which allow an enterprise to attract human and material resources necessary for performing its activities and which offer it the possibility to develop an efficient activity that could generate plus value on a long term basis for shareholders, groups of interest and for society as a whole.

• **Corporate management** is an assembly of practices of the administrative board and of the executive management, carried out in view of ensuring the strategic action plans, the achievement of the proposed objectives, risk management and the responsible use of the financial resources.

**Prolegomena in business accounting**

The accounting business we have proposed, represents a research based on agent theory and efficient market theory, flexible and dynamic concerning the performance of the investment and the utility of the resources, maintaining and developing the capital or in a different perspective, a business accounting placed in the culture of the Corporate Governance, able to provide relevant and accurate information, transparent and accountable in order to monitor the behavior and the efficiency of such corporate entities.

The reference definition of the corporate governance retained in the study is the one of a set of devices and institutional practices of an entity, which allow the practice of the effective power and taking power management decisions, with all the consequences of maximizing the shareholders wealth, the managing in a responsible way the financial resources, namely, optimizing the economical and the financial performance.

As shown in the literature, a good corporate governance ensures: efficient use of resources, capital cost reduction and increasing the financial confidence of the investors, of the lenders and other creditors.

For accounting, corporate governance requires and attracts the following significant commands:
• Managers responsibility for relevance, accuracy and the responsibility of the information from the financial reports;
• The existence of tight deadlines for financial reporting;
• The communication and the full transparency on the financial position and performance, not to mention privacy.

For proper functioning of a market economy it is needed an accountancy placed in a corporate governance.

A good corporate governance is also a good deal which requires: integrity, objectivity, professional competence, information and decision on the use of economic resources, maintaining and developing the capital entity, claiming credibility for investors, lenders and creditors.

Accountants are producers of information, but advocates of presenting information and transparency.

If investors don’t show confidence in the level of presenting the information, the capital will go to other directions. Presenting the information is considered to be the most powerful tool for monitoring the management and influencing the corporate behavior.

**Definitions and delimitations in business accounting**

In a general acceptance, business is: a commercial, industrial and especially financial transaction, which consists in capital investment, sale, purchase, lending, contracting and other exchange operations, as well as operations on share-based payment, merger and acquisition of entities, insurance contracts and any other operations on maintaining the developing the capital.

The main alternative forms of business organization located in the corporate governance culture (Dănescu, 2003):

• **Business as personal property**, when it belongs to a single individual, an individual who has authority in this respect;
• **Business in partnership**, when it belongs to two or more persons, without reaching to the corporation;
• **Corporation**, the legal and distinct person against the owners and managers, they can sign contracts and have owned property, the property being divided into shares from the capital stock.
Appealing to the neoclassical economic theory and financial theory, the major objective of accounting is **information and the decision concerning maximizing business value**, namely **maximize enterprise value** by maximizing the owner’s forms of wealth (wealth) and maximizing profits.

The two forms of the peak are in harmony with the economic reality according to which, to achieve business performance it is needed both transactions and assets and liabilities as assets items.

It is also necessary to remember that for the listed companies, the objective of maximizing the business is estimated by maximizing market capitalization (increasing the value of the shares).

In maximizing the business value it can be adopted an **accounting and financial approach**.

**(b1) Accounting approach.** It is distinguished by maximizing the business value through the growth of the net assets, namely, of the owners’ property from one year to the other as a consequence of the obtained profits and of the global result. Net assets is calculated as the difference between total assets and total liabilities.

The two formulas, in our opinion, able to highlight the overall result of the financial year as a business product are as follows:

Other items of the global income recognized as owned capital items.

**(b11) the total and global result defined in terms of incomes and expenses, gains and losses:**

- Recognized revenues in profit and loss
- Expenses corresponding to the obtained income = **Annual Income:**

+ Other items of the global income recognized as owned capital items (for example, reserves generated from arising the adoption of fair value)

= **THE TOTAL GLOBAL RESULT**
(b12) total global result is defined in terms of net assets or changes in the owned capital:

- Net asset at 31.12.N
- Net asset at 31.12.N-1
- Contribution / reimbursement of owner’s capital
+ Distributed dividends
- Other increases / cuts of owned capital (for example, changes in accounting policies, significant accounting error correction)
- Expenses, deferred income
= THE TOTAL GLOBAL RESULT

Appealing to the double equation, we present two relations of calculation to reflect the result of commitments and two to assess the outcome of Treasury, equations that may be of interest to business accounts placed in the visual cone of the corporate governance:

The calculation of the commitment results: Incomes – Expenses = COMMITMENT RESULTS

And:

- Owned capitals at “N-1”
+ Liabilities at “N-1”
+ Proceeds
+ Assets at “N”
- Assets at “N-1”
- Payments
- Owned capitals at “N”
- Liabilities at “N”
= COMMITMENT RESULTS

The calculation of the Treasury results:
Proceeds – Payments = TREASURY RESULTS

And:

- Owned capitals at “N-1”
+ Liabilities at “N-1”
+ Incomes
+ Assets at “N”
= Total incomes
- Assets at “N-1”
- Expenses
- Owned capitals at “N”
- Liabilities at “N”
= **TREASURY RESULT**

**(b2) Financial Approach** (Stancu, 2002). It is distinguished by adopting the winning hopes that the business will bring through the employed assets, which are elements that generate cash flows, profit by default.

Such an approach is based on the anticipation of the business value through the future profits forecasted for that financial entity in a finite or infinite time horizon, capitalized and actualized profits (capitalized on an actualized rate).

The formula adopted for estimating the future benefits flows (cash) is:

\[
V_f = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{V_r}{(1+r)^n}
\]

Where:
- \( V_f \) = financial value or of utility;
- \( r \) = discount rate equal to risk-free interest (on bonds) plus an economic and financial risk premium that characterizes the specific entity;
- \( i \) = Forecasting period for update, \( i = 1 \rightarrow n \) corresponds to the economic life period;
- \( V_r \) = residual value, namely the market value of net assets of the entity, the estimated value that remains after the "n" years of economical life.

If one accepts the hypothesis of constant operation on a permanent entity, the financial value (\( V_f \)) can be determined as the ratio of cash-flow of current year (\( IFC \)) and the discount rate (\( r \)): \( V_f = \frac{C_f}{r} \)

Maximizing this value will be by maximizing the cash-flow and minimizing the average cost of the capital.

*From the visual cone indicators concerning business maximizing cannot miss: the market value of the firm, the economic added value, the turnover, the added value and the assets value.*
The Market value is the amount of money that can be hypothetically achieved by selling at one point all the shares of the firm.

The formula is:
**Payment value** = Share numbers × The market value of a single share

The relevance of the above indicator increases by taking into account the rates below:

**Earnings per share** = \( \frac{\text{Net result} - \text{preferred dividends}}{\text{The average number of the ordinary shares}} \)

**Price / earnings** = \( \frac{\text{Price at year end}}{\text{Profit per share}} \)

The indicators presented above plus net assets per share, adjusted net assets per share and earnings per share.

**The turnover**, which is the indicator of the firm market position, the higher and stronger it is, the more the sales will cover a larger market segment.

The main formula of calculation of the indicator is:

**Incomes from sales** + **Incomes from sale of goods production** + **Interest income from entities whose main business is leasing**.

**The assets value** represents the tangible part of the wealth of an enterprise.

To some extent, the more assets the company has, the larger and richer it is. Wealth is given by the actual value (not accounting) of the assets.

The indicator relevance increases in the moment the net assets is calculated based on formula: \( \text{Net Asset} = \text{Total asset} - \text{Total debts} \)

**The economic value added** is an alternative indicator of performance, called the **residual profit**:

The relation used to determine the indicator is presented under the below form:

\[
\text{Gross profit before tax} - \text{Capital Cost} = \text{Economic value added (residual income)}
\]

Or:

\[
\text{The turnover} - \text{Operation Costs (cost + funding)}
\]
Capital Cost

The added economic value:

This kind of indicator also takes into account the reality according to which the added capital takes part in producing the profit and capital added part (owned capital + loan). Such participation is determined by the cost of the invested capital.

The profitability represents the enterprise performance expressed or translated by the obtained results or the profit efficiency in making profit using available resources.

More indicators are used to express profitability, as follows:

The profit margin or the gross margin from sales reveals the extent to which each currency unit contributes to net income. A percentage increase points an increase of the business capacity to produce profits.

It is calculated based on (net income (gross profit on sales)/turnover)*100.

The gross determinative refers to the cost margin of sales, or sales contribution to obtain benefits.

The cost of the sales equals production cost of sold production, and purchase cost of sold goods.

Rotational speed of the assets measures how efficiently these are used to produce sales or, how many times the assets have been converted into sales during the financial year.

The calculation formula is turnover / average balance of assets and information value becomes significant through horizontal analysis and trend.

The profit on assets (economic profitability) measures the amount of the obtained profits according to a monetary unit invested.

Is calculated based on formula (turnover / average balance of assets) × 100.

In developed economies, it is considered an economic return greater than 29%, which means that the company can renew their assets in at least four years by its gross operating surplus. The increase obtained in time of the indicator is welcomed.

The informational value of the indicator is highlighted by putting in relation to profit margin and asset turnover rate.
Below the formula:

**Asset Profitability** = rotation speed of assets * profit margin

**Owned capital profitability (financial profitability)** reveals how the profit was obtained corresponding to a monetary unit invested by owner. The increase in time is welcomed. The Folfuma is (the turnover/ the average balance of owned capitals)*100.

**The added value** measures the economic value of the supplement created by production. It is the difference between production value and value of the goods and services which are destroyed or transformed in production.

Although born in the national accounting, if appealing to the firm accounting, the **value added** defines the growth and value creation resulted from the use of the production factors (labor and capital) over the consumption of raw materials and services offered by the third parties. This can be determined by 2 procedures, as follows:

**a) Production method:**

**Added Value** = Production of the year + Commercial margin - Consumption of goods and services from consumers

Where the year production reveals the performance of the production activity as an output of the sold and stored production.

**b) the additional and distribution method,** based on the reemuneration amount of all the production factors including the State:

- Salaries and other social expenses = Employees
- Duty and taxes = State
- Interests = Bankersi
- Liquidation = Investors
- Year result = Owned Capitals

\[ + \text{ Year result} = \text{Added Value} \]

A significant information is obtained if the capitals profitability can be compared to the total profitability of the assets.

It is the case of the **leverage effect or dent financing.**
It highlights the difference between total assets profitability and the profitability of the owned capitals. If a company using borrowed capital get higher returns than expenditure on interest paid to these resources, the remaining difference produces an increase of the owned capital profitability.

The reverse situation can happen when return on assets is less than the interest rate paid for borrowed resources, as it is the case of club effect.

In this case, the firm must work for its bankers.

The formula of the leverage effect is:

\[ \text{The leverage of debt} = \text{Leverage effect} \times \text{Lever arm} \]

where:

- \( \text{The leverage effect} = \text{Profitability of total assets} - \text{Average rate of debt} \)
- \( \text{Lever arm} = \frac{\text{Total debts}}{\text{Owned Capitals}} \)

The fundamental formula presented above outlines the impact of taxation on the owned profitability capitals (financial profitability). Thus, if the company is profitable, the taxation policy through tax reduces the effect of leverage. Conversely, if the organization is poor, the taxation policy does not affect the financial profitability.

Profit per share for ordinary shares calculated and presented in a separate paragraph.

To analyse the profitability of the profit it will be of interest the indicator concerning the profitability level with its derivatives. It is an analysis that requires the presentation of the result in structured notes based on the relationship \( \text{cost} - \text{volume} - \text{profit} \).

Such structure is presented as follows:

- Sale of goods, works and services (without VAT)
  - Purchase cost of raw materials and supplies corresponding to sales
  = The margin on cost acquisition
  - Variable production costs
  - Other Variable costs
  = The Margin on variable cost (production margin)
  - Fixed costs
= Year result

The above structures concerning the costs in business accounting located in the culture of corporate governance should be assessed measured to the agent cost consisting of the costs of the Manager’s performance evaluation, implementation costs of a remuneration system linked to the wealth objectives for the owner's property which the employee is, the cost of adopting a general policy, understood by all interested agents, agencies concerned on the concrete relations between owner and manager, concerning the concrete relations between the owner and the manager, costs of monitoring the activities of managers and residual costs.

Business accounting content placed in the culture of corporate governance

Discussed in terms of content, business accounting is a selective fixed modules, largely unformalized, reproduced and sustained by the financial, operational and management accounting.

Problems supposed to define the theory and the method of business accounting refers to: the nature and objectives of business accounting, business community and accounting policies, accounting information and decision making, accounting for governor invisible and visible; financial statements as information and decision support; maintaining accounting and capital development, accounting competitors, cost management determined in the company and the costs of the product life cycle, namely costs due to manufacturer and user; comparison with the outside and benchmarking, that cost concept - value in business accounting, accounting and cost analysis on products, markets and clientele; target cost and cost per activity and quality indicators, measuring risk and uncertainty in business and accounting business of fixing prices as opposed to market driven prices, creativity and lift in business accounting, accounting transactions, events and conditions relating to capital, accounting transactions, events and conditions relating to capital, treasury accounting, analysis of business decisions, including capital expenditures budgeting, analysis of capital and profit performance quality, acquisition, combining and splitting of entities.
Basic principles of business accounting

Maximizing the business value as a fundamental objective for management and for accounting recognition and measurement of transactions that consume resources and performance producers requires accepting a set of principles and / or rules.

These principles /rules are a market „product” being accepted in a conceptual plan in accounting.

For segregation and hierarchy these principles, this book takes the formal speech of Professor Ion Stancu: (Stancu, 2002, p. 34).

(a) the principle of the relationship between profit and risk, the more aggressive the accounting are overestimating the result, the lower earnings quality is, the lower the quality earnings are, the higher the assessed risk is, the higher the assessed risk is, the lower the value of the business entity participating in business is.

(b) the principle of changing in time the value of the money or price – time of money, time is money, this factor is an important variable to take into account in any economic business decision.

Accordingly, an amount of money received today is worth more than the same amount received tomorrow or in the future. It is the case of the event at present value.

Where the effect of value –time of money is significant, business value muts represent the present value of assets and liabilities incurred, expenditure and income.

Discount rates used must be pre-tax rate that reflects current market assessments of value – time of money and risks for specific assets and liabilities. However, discount rates should not reflect risks to the forecasts of future cash flows have been adjusted.

(c) The Net cash flow is important in relation to profit based on accrual accounting. In assessing the business value, there are considered the future income of the obtainable cash flows, and not the profits estimated in the the accrual accounting.

In the cash result there are found not only the bases and the evaluation methods of assets and liabilities but also of the
income and expenditure. Such a result expresses a reality, the one that at performance production contributes both the activities which consume the resources and produce the results and the assets and liabilities held by the entity. Consequently, the financial performance is based on formula:

- Activity Result (of process)
- Result from holding the consumed assets
- Result from holding the unconsumed assets
- Result from assets/liabilities held by Treasury

= Financial Performance

To support the above view it must be retained the idea according to which any increase in profit is not sufficient for wealth capitalization invested in the business assets, "profit maximization makes sense to sizes above breakeven", otherwise the wealth invested in the economic assets will decapitalize.

(d) The taxes affect the business decisions, respecting this rule it is necessary to take into account the net taxes cash flow on profit entity, especially on capital investments of investors.

On the other hand, the state, in a policy of economic incentives, provides a series of tax incentives (tax reductions or exemptions) or subsidies for development in poor sectors (as attractive investment) and social protection measures.

A careful analysis and total use of these tax incitement will lead to higher marginal cash flows and consequently to the increase of the analysed value of the investment.

(e) principle of competition, competition presence leads to competitive pressure on selling prices of goods and services. Price strategy of the entity may also influence the nature of faced competition. A strategy of high prices and profits may attract competition, as a low price strategy may stop competitors off the market. Using the method of pricing based on market price, the entity takes greater account of the prices they charge competitors than their own costs or demand.

(f) efficiency of capital markets, capital market efficiency is of great importance for achieving the major objective of real maximize of the wealth of the capital investors. Firstly, all the management activities of the company are
immediately reflected in its share price and bonds, outlining best the cash-flow to increase the investors' wealth.

Secondly, any action without real impact on cash flow, such as handling provisions, splitting the value of shares etc. will not affect the price of securities. This creates conditions for a real evaluation of the company becoming less exposed to intentional and unintentional uncertainties.

**(g) new rentability (+) and new risk (±)** – rentability of new investments is added to the one of the company, while their risk is combined with that of the company. Thus, the marginal profitability of better new investment will increase company profitability at a pace determined by the increased cash flows compared to invested capital increase. Marginal risk of new investment doesn’t have the same additional effect, it is not added, but combined with the previous company’s risk. This combination may increase, stop or reduce the total risk of the company.

**(h) Capital maintenance for the entity belongs to capital investors.** As capital investors provide risk capital of the entity, financial position and performance are primarily a business of these. The choice of one or more evaluation bases must be made in a coherent assessment and logical to the concept of capital, financial or physical maintenance, as appropriate.

Agent theory and efficient market theory

The agent theory suggests that shareholders make monitoring and stimulation procedures to verify if the one that leads the company acts as per their interests. Therefore the financial reports should provide information relating to economic resources and claims of the investors, lenders and other creditors to the reporting entity. Also, financial reports, and the ones related to business, should provide information on the effects of transactions and other events as changes in the economic resources and claims.

Agent Theory, in accordance with conceptual framework (IASB) for financial reporting requires accepting the existence of a group of primary users of the financial reports consisting of existing and potential investors, lenders and other creditors of reporting entity.
Concerning the evaluation of the financial position and performance, the agent theory requires recognition of the utility value or specific value of the entity as a basis of evaluation able to provide maintenance and capital development of one entity located in corporate governance. It is a present value of cash flows which an entity expects to obtain from continuous use of an asset and its disposal or that the entity expects to incur when settling a liability.

Also, agent theory raises the issue of recognition as part of owned capitals of share issue costs, staff costs, of its shares held on short or long term and gains or losses concerning the redemption, saling, free transfer or cancellation of owned capital instruments. All these elements are settled on the final account position of "other reserves”.

Amendments to the economical resources and claims, are classified, recognized and valued by financial performance reflected by accrual accounting, financial performance reflected by passed cash flows, other performance modifications such as distributions to owners and their contributions as investors.

The calculation formula of the owned modeling elements recognized in the agent theory challenges for determining the informational value of the statement of changes in owned capitals are:

- Subscribed capital (assets overhead)
- Cost of issuing shares
- Agent cost
+ Premiums and reserves for capital
- Own shares held short or long term
- Distribution of dividends
+,- Reported result
+,- Result of the financial year
+ Hedging reserves
- Profit distribution
+,- Gains or losses regarding the redemption, sale, transfer or free cancellation of owned capital instruments
+,- Other elements of global result
TOTAL OF OWNED CAPITALS

For each element it is formalized and presented the formula:

• Balance at beginning of financial year
+ Increases
- Reductions
= Final balance at the end of the financial year

Notice. To enhance the relevance of a statement of the changes of owned capitals, it may be accepted the solution made out of three chapters, namely "The situation of the changes in the owned capital from capital transactions with owners" (transactions with shareholders), "the situation of the financial performance reflected by the cash accounting (the result of treasury) reflected by accrual accounting "and" the situation of the owned capital performance "(overall result).

In the accounting plan put in the corporate governance, the efficient market theory is distinguished in particular by the use of fair value as a test / evaluation basis. It is a trusted market efficiency. However, such trust is facing the reality according to which the fair value is operationalized not only by market value, but without market or if its weakness, through the utility value calculated from an actuarial model. So a market value, claimed objective is substituted by a subjective value, namely the utility value.

In particular, fair value gains following dimensions:
(a) the case when there is an active market:
   (a1) a market value evaluated based on quoted market prices in an active market. Appropriate market price is normally the current bid price;
   (a2) price of the most recent similar transactions as a basis for estimation, provided there has not been any significant change in the economical circumstances between the transaction date of the estimated date and the estimated fair value of the asset.

(b) If there is no active market, fair value gains following meanings:
(b1) amount that would have been paid for the asset acquisition on a arm's length transaction between willing and knowingly parties objectives;
(b2) outcome of recent transactions for similar assets.
(c) Indirect estimate based on current practices, namely:
(c1) updating cash flows;
(c2) estimate costs which the entity avoids by owning the asset.

In a corporate governance, the key issue in value adoption is the one of plusvalue and minusvalue recognition resulted from the use of fair value in the assets and liabilities evaluation. In this respect, we have outlined three steps without gaining the status of generalization, namely:

a) recognition of plusvalues / minusvalues, namely of gains and losses as items of profit and loss;

b) recognition of plusvalues / minusvalues, namely of gains and losses as items of owned capitals;

and for the reclassification adjustments, through passing to the financial year end of the elemets of the owned capitals to profit and loss records , we use the below formula:

1) for gains (Δ):
\[ \text{Owned capital} = \text{Profit and loss account} + \Delta \text{m.u.} \]

2) for loss (Δ):
\[ \text{Profit and loss} = \text{Owned Capital account} + \Delta \text{m.u.} \]

c) joint recognition as profit and loss elements and as elements of owned capitals. Subsequently, at the closure of each financial year towards reclassification adjustments shall transfer the recognized elements as a result in owned capitals against the profit and loss account.

The option for an accounting policy for recognizing actuarial gains / losses arising from fair value recognition strategy is based on the respective entity, namely if the company seeks immediate or large profits or aims at developing through new investments in technology.
Thus, if the entity seeks to maximize profits, gains / losses are recognized in profit or loss. If the entity has as a strategy making significant investment it can be opted for gains / losses recognition method from the fair value as owned capitals elements. Last way is part of the conservation options between aggressive and result in the creation and maintenance of capital.

Above policies must be linked to the prinmciples of the relationship between income and risk, namely, change in time of the money value or time cost of money, taxes influences the business decisions and the principle of the historical cost recovery.

CONCLUSIONS

The presented analysis leads us to the below conclusions:

1) Business accounting located in a corporate governance is a section of operational firm accounting, flexible and dynamic, typical and atypical, and if necessary, the management dimensional and multidimensional profitable business while maintaining and developing the property.

2) The determinative of corporate governance was adopted to mark the fact that good business requires: integrity, objectivity, professional competence, information and decision on the use of economic resources, maintenance and capital development entity, ensurring the claims of the investors, credibility, lenders and creditors.

3) The appeal to the theory of agent and the efficient markets was necessary to highlight new dimensions of accounting information in terms of corporate governance, concerning the financial position and performance of the entity, especially maintaining and developing the capital, namely performance measurement based on the accrual and treasury accounting.

4) Moreover, the two theories support the adoption of utility value and of the fair value in the assessment of the wealth and performance.
REFERENCES

STAGE PROCESS OF CONVERGENCE OF THE ROMANIAN ECONOMY REPORTED TO THE NEW FRAMEWORK FOR EU CONVERGENCE

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ABSTRACT: Adopting the euro is an important step for any of the Member States of the European Union; the process of preparation for entry into the euro area is to meet the nominal convergence criteria. Achieving these criteria and adopting the euro represents part of Romania integration process to UE. The Romania's entry into the euro zone involves the transmission of the monetary policy by the European Central Bank, an institution that works consistently across the euro area.

KEYWORDS: convergence criteria, monetary policy, euro area, indicators of structural alignment, economic stability.

1. INTRODUCTION

Achieving the economic convergence criteria and the adoption the single currency are part of the process of European integration of Romania. Adopting the euro is an important step for the economy of a Member State, because the monetary decision power is transferred to the European Central Bank acting independently through a single monetary policy for the entire euro area.

The convergence criteria are economic test for assessing preparedness of economies to participate in Economic and Monetary Union. These criteria were established by the Maastricht Treaty, ratified by all EU Member States in 1993, and refers to: price stability, public finances, interest rates, exchange rate stability.

Achieving of the convergence criteria ensures to the level union increasing competitiveness and avoiding macro prudential imbalances.
2. THE MAIN INDICATORS OF NOMINAL CONVERGENCE

The Treaty of Maastricht convergence criteria were set concerning price stability, sustainable public finances and indebtedness, exchange rate stability and long-term interest rates.

Evaluation of the convergence process also requires analysis of structural alignment indicators in order to determine the capacity of the economy to operate efficiently in terms of shocks materialize without the support of an independent monetary policy at national level.

Nominal convergence indicators

<table>
<thead>
<tr>
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<th>Maastricht criteria</th>
<th>Romania</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>2012</td>
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<tr>
<td><strong>HICP inflation rate</strong></td>
<td>&lt;1.5 pp above the average of the three best performing EU states</td>
<td>3</td>
</tr>
<tr>
<td>(% Annual average)</td>
<td></td>
<td>(3,1 criterion)</td>
</tr>
<tr>
<td><strong>Consolidated budget deficit</strong></td>
<td>less than 3%</td>
<td>2.9</td>
</tr>
<tr>
<td>(% of GDP)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Public debt</strong></td>
<td>less than 60%</td>
<td>37.8</td>
</tr>
<tr>
<td>(% of GDP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exchange rate against the euro</strong></td>
<td>± 15 %</td>
<td>+5.4/-7.6</td>
</tr>
<tr>
<td>(appreciation / depreciation percentage maximum 2 years)</td>
<td></td>
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<tr>
<td><strong>Long-term interest rates</strong></td>
<td>&lt;2 pp above the average of the three best performing EU states in terms of price stability</td>
<td>6.7 (5,1 criterion)</td>
</tr>
<tr>
<td>(% Per year annual average)</td>
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*HICP - Harmonised Index of Consumer Prices
Source: NBR

The average inflation rate (measured by the Harmonised Index of Consumer Prices HICP) for the last 12 months must not exceed by more than 1.5 percentage points that (ie the average of the inflation rates) of the best performing Member States in
terms of price stability, in addition, this development should prove to be sustainable.

**Inflation (HICP)**

In 2009, the economic crisis, inflation has experienced a process of moderation in most European countries, including Romania. In 2010 and the first half of 2011, mainly due to rising commodity quotations on international markets and increase the standard VAT rate by 5 percentage points from July 1, 2010, the average annual inflation (HICP) in Romania increased to a maximum of 7.8 percent recorded in June 2011.

Inflation during 2012 was under the effect of price increases volatile food and fuel prices, due to adverse weather conditions and higher international prices on food and energy commodity markets, the latter dynamic is accentuated by moderate depreciation of the currency against the euro and the U.S. dollar.

When these factors were added to a series of basic statistical effects, with favorable influences on early, unfavorable since the third quarter respectively. Under these conditions, the average annual inflation rate in Romania was at the end of 2012 to 3.4 percent, 0.3 percentage points above the reference value, significant deviation below that in 2011 (2.7 percentage points).
Later, he saw a widening of this gap (1.7 percentage points in May 2013), contributing to both internal developments (adjustments of some administered prices and excise) and reduced levels of reference.

**Consolidated budget deficit** - the government's financial position must be sustainable, and this is achieved by maintaining a budgetary position without a deficit reaching excessive. In particular: the state budget deficit (planned or actual) should not exceed 3 percent of GDP, if this value is exceeded, the budget deficit must be reduced substantially and continuously to a value close to or exceeding the reference value reference must be exceptional and temporary, public debt should not exceed 60 percent of GDP, and if higher values are significant and must be reduced to approaching the reference value at a satisfactory pace.

**Consolidated budget deficit**

![Consolidated budget deficit chart](image)

*Source: Eurostat*

The share of consolidated state budget deficit in GDP exceeded the limit imposed by the Maastricht Treaty in each year of the interval 2008-2011. Compliance with the recommendations made during the onset excessive deficit procedure for Romania in 2009 and the commitments undertaken in the framework of external financing concluded by
Romania with international financial institutions has resulted in fiscal consolidation measures for decreasing the share of consolidated state budget deficit GDP to 5.6 percent in 2011 and re-entry limit imposed by the Maastricht Treaty in 2012. Following these developments, the EU Council approved, on June 21, 2013, ending the excessive deficit procedure for Romania.

The second indicator of the sustainability of public finances, the ratio of public debt to GDP, recorded an upward trend in 2012, but continued to fall comfortably within the limits set by the nominal criterion.

**Exchange rate stability** - exchange rate must be maintained between the fluctuation of the exchange rate mechanism (ERM II) for a period of at least two years without severe tensions, in particular without doing their own initiative devaluing against the euro. The new exchange rate mechanism (ERM II) replaced the ERM in January 1999 and aims at securing the currencies of Member States outside the euro area to the euro by establishing jointly a central rate, fixed but adjustable to euro and a standard fluctuation band of +/-15 percentage points. A narrow band of fluctuation can be determined by mutual agreement, as progress is made in terms of convergence.
Regarding the exchange rate EUR / RON from the global financial crisis and the beginning of 2009, the national currency has depreciated significantly against the euro, the deterioration of foreign investors on the risks associated states in the region. Subsequently, the conclusion and implementation of agreements with international financial institutions and fiscal consolidation measures, while mitigating financial stress states in the region, favored relatively stable exchange rate of the national currency against the euro.

Its variation was within the band of ± 15 percent both in 2011-2012 and in the period June 2011 - May 2013, during which, however, was not recorded an episode of appreciation from the average of May 2011, considered conventionally reference value in the absence of a central parity.

The average nominal long-term interest in the last 12 months must not exceed by more than 2 percentage points that (ie the average of the long-term interest rates) of the best performing Member States in terms of price stability; rate can be measured by long-term government securities or other securities comparable basis.
Reducing the risk associated with Romanian economy has contributed to a significant reduction of long-term interest rate differential against the reference to a maximum of 3.7 percentage point increase in 2009 to 1.5 percentage points in 2011 and 1.6 percentage points at the end of 2012. Subsequently, the gap has continued to decline, reaching a level of 0.9 percentage points in May 2013, amid the downward trend in interest rates and increase the long-term reference value.

3. CONCLUSIONS

During 2012 there were six meetings of the Preparatory Committee of the changeover, and three meetings were held in the first five months of 2013.

The topics addressed in these targeted areas: assessing the state and prospects of real convergence of the Romanian economy, preparations for initiating the process of introducing the euro, Romania's performance in terms of indicators included in the Scoreboard for the surveillance of macroeconomic imbalances, provisions and arrangements implementation of the Treaty on Stability, Coordination and Governance in Economic and Monetary Union implications for Romania's "Fiscal Compact" structural budgetary position and size of the
automatic stabilizers, demographic projections in Romania, the state and prospects of the draft constitution of the Union Bank.

Regarding the commitment to adopt the euro, according to the Convergence Programme 2013-2016, it is maintained for a date when this will be achieved the criteria for nominal and real convergence.

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THE EMPLOYMENT AND THE QUALITY SERVICES PROVIDED BY THE ROMANIAN TOURISM

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ABSTRACT: The participation of Romania in international tourism competitions in Europe and worldwide is and will remain a matter of firm action and it is not just an option, although, Romania has a remarkable tourism heritage at the level of all European requirements.

KEYWORDS: tourism competitions, development of the country, quality of the environment.

The participation of Romania in international tourism competitions in Europe and worldwide is and will remain a matter of firm action and it is not just an option, although, Romania has a remarkable tourism heritage at the level of all European requirements.

Tourism is considered a strategic sector for the development of the country, because it has rich and diverse resources, but it remains a sector with significant failures.

Romanian tourism faces severe problems related to the quality of these services in the last decades. In Romania tourism has many deficiencies, some of them are related to the insufficiency of modern equipments and infrastructure, and some are related to the poor quality of the services, which is generated by an ineffective employment management.

These problems are caused by the lack of tourism management as well as from a large number of employees with poor qualifications and education, which it contributes to the quality of services in Romanian tourism.

The quality of the services is firstly perceived by customers. There are two important characteristics: technical characteristics and operational characteristics.
The research of quality services proved that the most important features are: reliability, sensibility, competence, courtesy, communication, credibility, security, knowledge, and customer service. The significance of these characteristics may vary from one service to another depending on the buyer.

Business success depends on the quality of the service for which the customers pay. Consumer’s perception is determined by its attitude to the quality of services. For this reason, the entire activity of the organization should be directed to consumer services.

The business has to be seen from the beginning from customer’s perspective and it is permanently necessary to pursue consumer reaction both for the quality of service requested, as well as the way in which it is treated during the process of sale-purchase.

The improvement service should be a constant preoccupation for the company’s management, which should try to produce the achievement of a higher level of customer expectations, level which is depending on objective or subjective factors.

Today, the quality of service is for consumers the essential criteria to prefer a certain company that has established itself on the market from the point of view of the quality.

Recent research shows that many consumers may change their first preference for a company or the other, because of the quality services then due to prices or for other reasons. Generally, customer is willing to pay for in addition to take advantage of a better quality.

Market studies have shown that consumers talk about the service of poor quality to other ten people in their entourage, which will certainly not become customers for that company.

A permanent tracking of consumer’s reaction to the quality of the products or services offered by the company it is necessary for survival, but also for the prosperity of the company.

That is why every business must begin with an activity for consumer’s service, to know their needs, for the purpose of satisfying them or of exceed the expectations from the point of view of the quality. All of these arguments were put forward the
idea that the most important aspect is that customers prefer a certain level of quality. They are an invaluable asset that will be maintained will be multiplied and will ensure the survival of the competitive company in the future.

The control means an activity to monitor the services performed. All departments with these tasks should retain the powers of inspection but also transfer responsibilities for quality by performing self-control.

On the context of the market economy is not enough to draw up quality services, but we should provide better quality services than other competitors. This is a strategy that proposes that improve the quality, and not to expect competitors to bring on the market superior service.

An important objective of quality is and a decrease up to eliminate non-qualities and self-perspective. Some of the causes for non-qualities are to be found even among the components of total quality: certain terms, place, cost.

The concept of total quality proposes to achieve quality in correlation with the other features in order to not exceed customer expectations. Other causes of non-qualities are those related to the complexity, which causes a difficulty in measuring them accurately, because it is subjective and difficult to quantify.

The functionality over a period of about 4 months in the year, it is significant  part of the tourism structure. Further more, reception and the need for permanent preservation of work as well as certain restrictions laws oblige employers' associations in the tourism sector to ensure an average wage in all the months of although a good part of employers may be laid off, with effects on the profitability of companies and capacity of development of the society.

There are many difficulties related to the work, because employees are involved in various jobs in which they are not qualified. Also, the rehabilitation of care facilities during periods of low season, give rise to an extremely high mobility of staff in the tourism sector, setting up a dangerous cycle.

On the one hand, it is used unqualified employees, formed in low staffing at border crossing which may not be paid properly throughout the year, and on the other hand it is
maintained a poor quality of services provide by these employees.

Problematic divergence of staff and quality of the services should be a major concern of yield and coordination in the field, in equal measure at central level, local and private level.

Many strategies have been developed by expert of the European Union. The strategies are created for a sustainable development in tourism and it is an essential instrument in universal law enforcement to travelling and holidays, but also economic and social development of the countries and areas with tourist potential, reducing migration of the labor force, as a result of the creation of fair conditions which ensures an environment similar to other economical sectors. These strategies are priorities for the development of Romanian tourism and at the same time they are required in order to maintain its competitive capacity.

The quality of the environment for employment in the tourism sector is the first condition for the provision of benefits of quality and as a basis for assisting recovery of the sector with great potential.

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A HERMENEUTIC APPROACH OF ECONOMICS

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ABSTRACT: In the complexity of our society, the present epistemological vision of sciences seems incapable of answering a series of fundamental economic questions. Starting from Schleiermacher’s theories, who speaks about “special Hermeneutics” as foundation for Universal Hermeneutics, we consider that Economics, in order to progress, must assimilate the term of Economic Hermeneutics as a general theory of the interpretation rules, a meditation on the interpretation activity, with accents on the normative character (Schleiermacher), but also on the phenomenological aspect (Heidegger, Ricoeur, etc). Our scientific approach is intended as a plea for the interpretation of the economic phenomena and processes from an objective–and actual - historical perspective, intransitive, transitive, dogmatic, synchronic and diachronic one. By accepting Semiotics as a foundation for Economic Hermeneutics, we implicitly ought to accept its operational instruments: sign, symbol, symbolic language, semantic trees etc. From our point of view there is place for “another” paradigm, a general interpretation theory, with implications from the hermeneutic field. Hermeneutics must not be considered a substitute for epistemology, but as a science that takes in where epistemology can no longer provide us with pertinent answers. We believe that researches should focus on finding the best solutions not only to the already existing problems, but also to those which arise along with the evolution of the economic processes and phenomena. The hermeneutic approach should go along with the approach of the positivistic sciences, especially the analytical and the econometrical ones. Our research should be considered as a toilsome endeavor in grounding an “Economic Hermeneutics”.

KEYWORDS: Economic Hermeneutics, Pragmatics, Semantics, Economic Semiotics, Syntax.

1. SHORT HISTORY

For laymen, Hermeneutics is the science of interpreting biblical and literary texts. For Heidegger comprehension is not a result of exegesis but the basis of any interpretation or explanation, as a way of being of the interpreter (Dasein). The
catalyst of the messages is the Dasein, namely the thinking, whereas the term truth is based on the Greek term aletheia (Clinci 2010) which he translates as “a state of unconcealedness”, of “dis-closure”. As a follower of philosophical Hermeneutics, Heidegger has as a main target of interpretation the transformation of the obscure elements into clear structures, this being the essence of any human activity.

For the man, the “Umwelt“ is not essential as such, but important is his understanding and his integration in universality, at a certain historical moment, with his specific features. “This universality of the phenomenon of interpretation is the one which is at the basis of Hermeneutics as science” (Rambu 1998: 4). The nature of universality of Hermeneutics is a premise for the development of the hermeneutic approach in Economics.

Schleiermacher speaks about “special Hermeneutics” as foundation for Universal Hermeneutics, which is, in its turn, materialized into a plurality of forms, of types of Hermeneutics (Schleiermacher 1977: 75).

Nowadays, we can speak about a Hermeneutics of jurisprudence, of arts. Thus, there were developed applications of Hermeneutics in the legal sciences (Legal Hermeneutics), in Arts (Musical Hermeneutics) and so on.

A first conclusion would be that over time Hermeneutics becomes a general theory of the interpretation rules, a reflection on the interpretation activity. Without excluding other approaches, two directions are obvious here: Hermeneutics is an art which establishes clear rules of interpretation (Schleiermacher), a normative character; Hermeneutics is a reflection on the phenomenon of interpretation (Heidegger, Paul Ricoeur and others), phenomenology.

A second conclusion is that in modern approaches, Hermeneutics is no longer the interpretation itself, but the science of conditions, of the object, of the means of interpretation and of practical application. The finality of interpreting is the comprehension, which has contextuality as the main mediator. The interpretation is considered as an assembly of rules which gives arguments for the experience of
interpretation and it is adapted to principles and general rules which Hermeneutics includes, theoretically.

A third conclusion is that in order to achieve the leap of economics into knowledge, which is necessary, because this science has to evolve in the same way as the other sciences have done, the hermeneutic step has become a necessity. This intervention would give more substance to the economic discourse and more strictness to the explanation and the building of scientific theories. In Economics, as it happens in social sciences in general, the natural language is prevalent. This language has to be handled with care because the imprecision and the ambiguity can become vicious for the reasoning or for the conclusions. Therefore, Economics, as well as the other sciences, has to follow the stage of studying the language, of creating a symbolic language, which has to be integrated into a modern interpretative theory, based on Syntax, Semantics, Pragmatics and Semiotics. Thus, Economic Hermeneutics can be useful. We believe that it is time for the Economic Hermeneutics to build its own principles and rules which will guide the interpretation, on one hand and their methods of application in the interpretation of the economic phenomena, on the other hand. All these principles, concepts and methods will be named the foundation of Economic Hermeneutics.

2. THE FOUNDATION OF ECONOMIC HERMENEUTICS – FEH

The classic writers of the Antiquity defined Hermeneutics as the art of interpretation which is used in decoding the message beyond the text. From an economic perspective, this definition can be rephrased in the following way: the interpretation of the messages given by the economic phenomena and processes. A first element which leads us to FEH is the signification. The Stoics named semiotike the doctrine about signification. In the modern philosophy, the term was reintroduced as Semiotics (Băileșteanu 2005).

In our hermeneutic operation we will use Logical Semiotics and Economic Semiotics. Logical Semiotics is a part of the metatheory where people study the language of logic systems from three perspectives: syntactical (logical
syntax), semantic (Logical Semantics) and pragmatic (Logic Pragmatics) (Enescu 2003). Economic Semiotics is a part of the metatheory where people study the language of economic systems following two targets: the extent of the use of signs in economic theory and practice and in the building of axiomatic systems, able to assure the logic increase of the economic science. From our point of view, the Economic Semiotics, as the general theory of the signs, of creating and using signs, of the signification of the signs, allows the hermeneutic operation an interpretation in “form” and in “content/ substance”, thus facilitating the logical argumentation, another FEH which we take into account. By symbol, the people go from perceiving to understanding, from feeling something to thinking, from surface to essence, from temporary to permanent. (Wald 1979/42). The Economic Semiotics which is based on symbols creates the premises for the development of Economic Hermeneutics, as a science for the interpretation of the phenomena, for the economic and the theoretic processes. Hermeneutics has obtained special results in the field of arts, of literature and it is absolutely necessary wherever we have symbols, signs, as it happens in the economic research and practice. Interpretation is a toil which consists in the decoding of the hidden meaning of economic texts, a meaning which is behind different symbols. Naturally, the economic science includes a scientific field, its object being the interpretation, namely the economic analysis. But the domain, the methods and the results which are obtained by this are far from satisfying the contemporary requirements of a real hermeneutics, because often in the economic sciences, the symbols, the demonstrated theses are so cryptic that it is necessary to have their scientific decline, but not based on common thinking, intuition or chance. As P. Botezatu shows there are several levels of logical understanding of scientific texts, which we can meet in economic sciences (Botezatu 1997: 120): extensional or formal understanding, at the level of symbols only; systematical or contextual understanding, when a criterion of relativity has to be introduced; structural understanding, which follows the elements of the analyzed system, the correlations between them and the meanings which result; intentional understanding, where the notions are
interacted through the prism of the used arguments, abyssal or hidden understanding which takes into consideration the psychic aspects of the subject.

Semantics and Hermeneutics and not the economic analysis can, we say, answer a certain interpretative requirement of the subject, according to Petre Botezatu’s vision. If we accept Semantics as a basis for an Economic Hermeneutics, we will implicitly accept FEH and the tools it uses, such as: signs-symbols, symbolic tree, semantic trees.

Language is a system of signs. The sign has three dimensions: the sign for another sign with whom it associates; the sign for the object which it signifies; a sign for a person who uses it. Thus, we have the necessity for Semiotics as a general science for the system of signs and their laws of functioning. Semiotics, in its turn is divided in: syntax: the theory of the relations between the signs; Semantics: the research of the relations between the signs and the objects they refer to; Pragmatics: the study of the signs reported to the subject who uses the language. Generally and fairly, we have a difference between the signal, which has a communicative purpose and therefore it is studied by the theory of information and the sign-symbol, which replaces something (a signifier which is precisely established), which has a role of signification and it is studied by Semiotics. The language is a system of signs, controlled by certain rules for the consolidation, the processing and the transmission of information. The natural language is the common language, the spoken one, while the symbolical language is the language which uses symbols.

Another foundation of Economic Hermeneutics is considered to be the Logical Economy, with all the elements used by it: judgment, logical reasoning, tautology, validity, consistence, axioms, and axiomatic systems¹.

We intent to have a hermeneutic intervention from the perspective of dissipative structures according to Ilya

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¹ Additional information on this subject can be found in Băileșteanu, Gheorghe. 2002. Logică economică. Timișoara: Mirton.
Prigogine’s approach\textsuperscript{2}, a reason for which we will use other FEH, such as: chance, necessity, determination, indetermination, unexpected, option. Regarding the interpretation of the future, we choose the concepts of foresight and visioning. In such a vision, the projection of the future (the prospective intervention) is done regarding the redesigned present (which gives a certain tendency), the chosen option and the successful critical forces which are supposed to appear in the future. Even if there is only one future, there are several future cycles. By foresight we interpret or read the future from the perspective of present tendencies, regarding things from present to the future. The visioning is an approach from the future to the present, by options and cyclical corrections which are imposed by the unpredictable and by realities.

From a synthetic approach, these would be the main fundamentals of an Economic Hermeneutics. To these, others are added, which are going to be taken into account and developed in the present thesis.

3. CONCLUSIONS

Our attempt to put the basis of an Economic hermeneutics began from the realization that in Economics, in general in the social sciences, the natural language is prevalent and it has to be handled with care because the imprecision and the ambiguity can become vicious for the human reasoning or for conclusions. Therefore, Economics, as well as the other sciences, has to follow the stage of studying the language, of creating a symbolic language, able to give a complex and a coherent interpretation of the processes and the phenomena. For achieving this target, an Economic Hermeneutics is necessary. This has to be based on other fundamentals than on analysis, but mostly on Semiotics. This happens, because Semiotics is both a science and a tool for each science and it helps them to analyze their language and to use it for various axiomatic constructions.

The logical transformation of the economic sciences allows the rebuilding of the theories as a deductive system, with undefined terms and initial sentences, which will later assure the deduction of other sentences with their corresponding theorems.

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To determine and characterize the components that exist in a time series, it is advisable to make a valid prediction of future evolution. Characterization and description of the trend can be done using statistical methods (simple) or analytical. In choosing a method an important role has the statistical chart and how to discover the existence and shape of the various components of a time series representation. The purpose of this paper is to find a more accurate way of predicting the future evolution, based on moving averages and linear regression function.

**KEYWORDS:** Moving average, Linear regression, trend

1. INTRODUCTION

The analysis of foreign exchange market involves studying the factors that influence market development and formation of a new currency. Thus, there are three basic types of market analysis:

Fundamental analysis - studying fluctuations in exchange rates under the influence of economic and political factors in order to determine the common trend of market development. This analysis is used primarily when dealing with long-term strategies based on the trends for several months or years.

Analysis of core and their relationship determines the main trend right from the beginning of its cycle of existence. In order to assess the optimal timing for initiating the transaction it’s not enough fundamental analysis.

Technical analysis- it deals with the study of technical factors, with the use of financial and mathematical instruments. Technical analysis allows visual identification of the trend and the fundamental analysis explains the reasons of existence and continuity of these trends.
Intuitive Approach – it cannot be called pure analysis, given that it involves the study of the psychological factors which cannot be analyzed in the form of quantitative measurements, and this means that neither their dynamics can not be analyzed. This approach comes rather to complete fundamental and technical analysis.

2. MOVING AVERAGE VS LINEAR REGRESSION

Moving average (SMA) method is used especially when the time series has regular fluctuations (seasonal or cyclical) for a smooth evolution of the phenomenon. Long-term trend is determined as averages calculated of as many terms \( m \) to how many a complete oscillation occurs. Environments are called mobile, sliding, as permanently in the calculation of such average the first term of the previous average is left out and the next term is entered. Thus, if the moving averages are calculated, for example, of five terms, each adjusted amount shall include the term of the respective period, the two previous terms and the two subsequent terms.

\[
y_{tMM} = \frac{y_{t-2} + y_{t-1} + y_t + y_{t+1} + y_{t+2}}{5}, \quad t = 3, n - 2.
\]

In general, if the averages are calculated from \( m \) terms \((m - odd)\) they will be lost by calculating averages, \((m - 1)\) terms and each adjusted value will stand to a value lying recorded. However, if the moving averages are calculated from \( m \) terms \((m - even number)\), then the mean is between the real terms and we will center levels, thus adjusted, by calculating the average’s average (partial).

In this case \( m \) terms will be lost by centered calculating averages. By calculating moving averages, seasonal deviations are compensated.

Let us note that moving averages can also be calculated where there are no regular diversions in order to remove residual variations. As the moving averages are being calculated from a larger number of terms, more accentuated will be its smoothness; on the other hand, calculating averages of a shortage of terms it can make it impossible to eliminate residual variations from the actual values.
Simple linear regression (Forecast) assumes that the economic phenomenon Y (the effect phenomenon) is the result of a main factor X and of some factors with random actions considered nonessential, specify by the variable residual „ε”:

\[ y = f(x) + \varepsilon \]

The probabilistic linear model for the variable Y-effect and X-cause (or endogenous and exogenous) in the case of a community is given by the relation:

\[ y_i = \alpha + \beta x_i + \varepsilon_i \]

in which „for each statistical unit„i”: 
- \((x_i, y_i)\) represents numerical values of the variables X-cause and Y-effect;
- \(\alpha\) represents the point of intersection of the regression line with the Oy axis (constant term);
- \(\beta\) represents the slope, (also called regression coefficient) and shows how many units Y and X change if you change the unit of measurement;
- \(\varepsilon_i\) is a residual variable (interpreted as error)
From the previous graphics, we see that Forecast (5) approximates better initial values (VI).

Therefore define the following indicators:

\[
MASF = \frac{SMA(5) + \text{Forecast}(5)}{2}
\]

\[
MAF = \frac{\text{Forecast}(3) + \text{Forecast}(5)}{2}
\]
3. CONCLUSIONS

From the above analyzed it is very difficult to say exactly the next value, knowing the past and the present. There are several ways to lead the lower and upper confidence interval that will find the next value, but is impossible to determine exactly because uncertainty and many factors influence leaves its mark on this value.

Previous graphs show that $MAF$ has values closer to the initial values than $MASF$, $Forecast$ and $SMA$.

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QUALITATIVE METHODS USED IN ECONOMIC AND FINANCIAL ANALYSIS

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ABSTRACT: The method represents the way a process or a phenomenon is researched, being a theoretical and abstract process, through which a certain conception is established regarding the way an object or phenomenon is studied, in order to get knowledge on its form or composition. The method is made up of procedures used to fulfill an objective. The procedure consists in the systematic way of action in order to get the desired objective. All the specific procedures define the techniques.

KEYWORDS: method, qualitative analysis, economic phenomenon

The methodology of the economic and financial analysis includes the methods and procedures used to research the company’s activity and to realise the results of the economic activity.

METHODS OF THE QUALITATIVE ANALYSIS

The main qualitative methods used in the economic and financial analysis are:
A - modelling
B – comparison
C - grouping
D – division and disintegration of results
E – generalisation

A) MODELLING

The model represents a research tool based on the simplified representation of the reality which holds an important place in the analysis of the economic phenomena.
The model is done with the help of some qualitative analyses, reproducing in a simplified form the phenomenon, making abstraction of what is not essential, but keeping what is essential, its conditioning relations.

Although the model highlights only essential aspects of the real phenomenon, it must be comprehensive enough as to allow, on the one hand, the quantitative and judicious characterisation of the main parts of the used phenomenon, and on the other hand, establish the mutual relations and dependencies between the different components.

The use of model means to go through several phases, namely:

- To define the analysis objective and the levels at which it will be done;
- To establish the information sources on which it is built;
- To establish the main characteristics of the analysed phenomenon;
- To establish the efficiency criteria;
- To establish the possible restrictions;
- To build the model as such.

Depending on the phenomena representation, the models can be:

a) **imitative** – the phenomenon is represented by itself, but at a different scale (maps, photos, model);

b) **analogical** - they are characterised by the fact that some characteristics of the studied phenomenon are represented by other modalities used to visualise economic and financial phenomena (graphs, charts);

c) **symbolic** - it is characterised by the use of symbols in order to represent the economic and financial phenomena, usually, under the form of equations.

In the economic and financial analysis the analogue and symbolic models are used.

**B) COMPARISON**

The comparison represents the study method of economic and financial phenomena by comparing them to values considered as reference, established after well-defined
criteria, in order to appreciate their essential characteristics depending on these references.

Thus, for the analysis of economic and financial phenomena it is not enough only the size in itself, at a given moment, but it is imposed the existence of a comparison basis (the reference criterion).

The comparison basis can be selected from a multitude of criteria such as: 3

- the results of anterior period (periods);
- the planned level of some indicators;
- the results of other companies in the same sector of activity;
- the average results on sector;
- the results of some similar companies in other countries;
- the optimum level of the indicator;
- norms, standards, laboratory results etc.

In order to have, as a consequence of comparison, the correct information, the following conditions must be obeyed:

- the indicators which are used must be similar;
- there must be at least two measures, two indicators which are compared;
- the phenomenon and elements which are compared must have an homogenous content;
- the measurement must be done in the same measuring unit;
- the permanence of calculus method must be ensured.

Depending on the chosen criterion, the following types of comparison are met:

a) comparisons in time – they presuppose the analysis of the same phenomenon, but in different moments or intervals of time in their evolution. In these comparisons it is necessary to pay full attention when choosing the comparison basis and, respectively, the interval of time when the phenomenon variation is compared, as comparison basis it is indicated to choose that period of time in which the phenomenon manifests a normal status of development.

b) comparisons in space when there are compared the results of the analysed company with the results of another company in the same sector or the results of two departments of the same company. This analysis is useful to the management’s activity, because it highlights the differences in the economic results of two units.

c) mixed comparisons, that is those comparisons which are based on both criteria (time and space);

d) comparisons depending on a pre-established criterion when there are compared the results obtained through programmes, norms, standards, contractual clauses.

e) comparisons with a special character for which there are other criteria than the ones mentioned above (for example, the comparison of some variants in the case of a technical and economic study; comparisons on the basis of score method).

The comparison result is expressed in values which show the degree in which the analysed phenomenon deviates from the level taken as comparison basis and it can take the form of:\footnote{Lala Popa, I., Miculeac, M.E., *Analiză economico – financiară. Elemente teoretice și studii de caz*, Editura Mirton, Timișoara, 2009, pag. 55}

a) the absolute deviation ($\Delta F$) represents the difference between the effective level and that of the comparison basis for the same phenomenon or economic result, expressed in the measuring unit of the given indicator and it is determined with the following formula:

$$\Delta F = F_1 - F_0$$

where:

$F_1$ – represents the effective level of the phenomenon;

$F_0$ – represents the comparison level of the phenomenon.

b) The relative deviation ($\Delta rF$) represents the difference between the effective level of the analysed economic phenomenon or result and the level of the comparison basis recalculated in the condition of the effective activity level,
respectively weighted with the increase index \( (I_q) \). It is determined with the help of the following relation:

\[
\Delta rF = F_1 - F_0 \Delta I_q
\]

c) **The index of the relative variation** \( (Ip) \) expresses how many times the effective level of the analysed economic phenomenon or result increased or decreased compared to the level considered as basic and it is determined with the relation:

\[
IF = \frac{F_1}{F_0}
\]

d) **The index of the relative variation deviation** \( (\Delta I_F) \) is the result of the comparison which expresses in percents the deviation of the effective level from the comparison level and it is calculated with the formula:

\[
\Delta I_F = \frac{F_1}{F_0} \times 100 - 100, \text{respectiv}, \Delta I_F = I_F - 100
\]

or

\[
\Delta I_F = \frac{F_1 - F_0}{F_0} \times 100, \text{respectiv}, \Delta I_F = \frac{\Delta F}{F_0} \times 100
\]

C) **GROUPING**

It is a research method which implies the separation of the studied group in homogenous groups of units depending on one or several characteristics.

The grouping characteristics are chosen depending on the specific of the studied phenomenon and the analysis goal. For example, when analysing the human potential, several criteria of grouping can be used: on categories of staff, age, seniority, sex, nationality, ways of professional formation.
D) DIVISION AND DISINTEGRATION OF RESULTS

This method is used in the detailed analysis in order to emphasize the specific causes specific to each item which brings its contribution to the development of an economic phenomenon and it consists in the disintegration of the researched phenomena and processes in the constitutive elements.

The main criteria on which the economic phenomena and results can be disintegrated are the following:

a) the division in time of the economic results;

b) the division in space of the economic results;

c) the mixed division of the economic results;

d) the division on constitutive parts or elements of the economic results.

a) **The division in time of the results** allows one to know the evolution in time of the analysed phenomenon and to highlight the deviations occurred on each division of time, between the effective and the forecasted results. This way, the contribution of each division in time (days, weeks, decades, months, term or year) to the total change of the researched phenomena on a certain period of time can be established.

b) **The disintegration or division in space of results** allows one to get to know the results obtained by each organisational link of the company (workshop, section, plant), as well as to establish the contribution of each organisational link to the general change of studied phenomena. By dividing economic phenomena on organisational links, till the working place where this economic phenomenon takes place, all the factors which influence the development of the respective process can be emphasized.

c) **The mixed division** - the simultaneous disintegration on the two criteria space and time.

d) **The disintegration or division of results on constitutive parts or elements** brings its contribution to deepening the analysis of the company’s economic activity, by establishing the contribution of each element to the change of these phenomena. The disintegration on constitutive parts or elements can be applied to the majority of indicators which reflect different parts of the company’s activity, which allows
some structural analysis on the quantitative and qualitative indicators. In the same time, the division on constitutive parts and elements represents a precursory stage to establishing the factors which act on the analysed phenomena and to measuring their influence.

The general model of representation of a phenomenon division (F) is presented as a sum of elements (fi):

\[ F = f_1 + f_2 + f_3 + \ldots + f_n, \]

and the total absolute deviation (ΔF) as algebraic sum of partial deviations:

\[ \Delta F = \sum_{i=1}^{n} \Delta f_i \]

where:
\( \Delta f_i \) is the absolute deviation of the element \( f_i \) calculated by the relation:

\[ \Delta f_i = f_i - f_{i0} \]

where:
\( f_i \) – the level of the indicator in the current period;
\( f_{i0} \) - the level of the indicator in the basic period.

The sense and the size of the contribution of each element to the index of the relative variation deviation (\( \Delta I_F \)) is determined by the calculation of the indexes of the relative variation deviation specific to element "i" (\( \Delta If_i \)), with the formula:

\[ \Delta If_i = \frac{f_i - f_{i0}}{f_{i0}} \times 100 \]

and:

\[ \Delta I_F = \sum_{i=1}^{n} \Delta If_i \]

In order to measure and characterise through division the relative contribution of each element to the overall result the index of specific weight (gs) is used and it is calculated with the relation:

\[ g_s = \frac{f_i}{\sum_{i=1}^{n} f_i} \times 100 \]

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5 Buglea Alexandru, Lala Popa Ion - Analiză economico-financiară. Editura Mirton, Timișoara, 2009, page 21
If we want to highlight the realisation of a certain level of structure we use the index of specific weight \((I_{gs})\) which shows how many times the effective specific weight deviates from the level of the specific weight, considered as basic:

\[
I_{gs} = \frac{g_{s1}}{g_{s0}}
\]

E) GENERALISATION

The generalisation presupposes, on the one hand, to signal the most important positive and negative parts of the company’s activity and, on the other hand, to identify the directions to which the management’s attention must be drawn, in order to establish the measures necessary to improve the result of the analysed phenomenon.

We conclude that in the economic and financial analysis a series of methods and procedures are used which can be classified in:

- **methods of qualitative analysis** which aim at knowing in detail the phenomenon, the causal relations;
- **methods of quantitative analysis** which aim at establishing the size of the elements, of the factors which explain the phenomenon.

REFERENCES

THE IMPORTANCE OF AUDIENCE IN SUCCESSFUL PROFESSIONAL ORAL COMMUNICATION

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ABSTRACT: The article presents the importance of audience in successful professional oral communication. The introductory part of the article mentions the recent studies on audience in oral communication and indicates audience’s role in the process of communication. The study gives the definition of audience and moves to audience typology. Then, the analysis focuses on audience analysis and on the potential benefits of audience awareness. The paper also deals with strategies of catching and maintaining audience’s attention on the whole duration of the presentation. In the final part, conclusions are presented on the significant role played by anticipating and understanding audience’s needs for efficient communication.

KEYWORDS: the definition of audience, audience typology, audience analysis, expected vs. real audience, audience expectations, motivating the audience, passive and active audience

This article focuses on the particularities of oral communication in the business environment and presents the importance of targeting the message towards an audience in order to achieve successful professional communication. Even if, both in oral and written communication, the author of the message must take into consideration the audience, in oral communication the audience plays a more powerful role since successful interaction means successful communication. The feedback is direct and is emitted instantly.

There are numerous recent studies and articles, as well as more extensive research on this topic, most of these deal with audience in the oral variety of communication. To mention only a few: Boyed (2005), Schultze & Schultze (2006) and Tollefson & Peterson (2000); Halloran & Blumler (1977) have published an entire book dedicated to audience, Callison & Lamb (2004)

The purpose of oral communication, and in this particular case of study, of professional oral communication is crucial. That is why all aspects of communication, those that can be analyzed and anticipated, must be taken into consideration. In the theory of communication, linguists consider that there are six elements that create the process of communication: the sender (in our case the communicator), the message or the information, the medium of exchange (oral delivery, in our study), the interference, the receiver or the audience and the feedback, provided by the receiver (in our study named the audience). The importance of the audience factor is evident even at this point, as two out of six elements are directly linked to it.

There are many definitions on the concept of audience, but one of the simplest and most comprehensive is the following: an audience is a group of persons who listen to a particular communication string that is delivered to them. In fact, an audience is an abstract concept of persons who use a medium to receive information, and it is made up of individuals, but they are viewed as a collective group. Consequently, it is very difficult to know and anticipate audience’s needs, as individuals do not have the same knowledge of the conversational subject, do not have the same wishes and desires and most importantly, do not assimilate or interpret the message delivered to them in the same way.

Professionals usually communicate in order to inform or to persuade, and they must do this creating and maintaining an atmosphere of goodwill. In order to do that, they have to anticipate the needs of the audience. So, knowing and understanding how to do that, they must have as much information about the audience as possible. Firstly, they have to identify what type of audience they will face. An audience can be made of an infinite variety of different sizes and different topologies; it can be a group of similar people, or a combination of different groups of people. A simple classification, according
to the level of knowledge and to the motivation of the attendee is: *lay audience* (people with no special knowledge of the subject matter, but who are interested to learn new information), *managerial audience* (people who need new or more information on a certain topic in order to make business decisions) and *expert audience* (people who possess much information on the subject matter, who are interested in listening to the latest scientific discoveries in the field). A different classification of audiences, according to the environment in which the audience is constituted, is: academic and non-academic audiences. Academic audience is considered any kind of audience that is supposed to grade the speaker, such as teachers, university professors, admission officers, etc. Non-academic audience is the one that listens to the oral presentation for other reasons than to grade the deliverer.

In order to establish what type of audience they will be talking to, professionals must take into consideration several elements connected to their audience. This process is called *audience analysis*, and it is imperious that it is carried out thoroughly and carefully. Nothing should be assumed or presumed, everything must be well documented. So, the professional playing the role of communicator must have, as accurately as possible and as much as possible, information about the audience’s age, sex, cultural and educational background, economic status, political and religious beliefs. Also the level of information about the subject matter is very important, because the message is structured differently when talking to novices, specialists or experts. All these variables must be well investigated for every particular case, as one wrong assumption about the audience may cause miscommunication and failure to achieve communication purpose.

In the business environment, professionals, being in the situation of addressing a managerial audience, are facing a difficult task when *anticipating the level of information* about a certain topic, as well as the knowledge of the audience about the numerous technical terms involved. Ideally, the communicator needs to constantly check the feedback offered by the audience, and in case negative signals are intercepted, must adjust the message (for example to explain the jargon used,
or to give more details, examples, etc.). However they must be very attentive not to provide too much information, or too many details and explanations which may create a negative attitude of the audience, like boredom or confusion, and may impair the attainment of the communication goal.

This raises another problem related to audience, namely that there is a difference between the ‘expected audience’ and the ‘real audience’. The communicator structures the message according to an ‘expected’ audience’, but has to deliver to the real audience, hence certain adjustments must be made, just as it was stated previously. However, even if awareness of possible changes exists, there is no guide how to make them. These changes depend mainly on the speaker’s communication skills, ability to improvise, empathy with the audience, intuition and quite often on common sense.

Just as the speaker expects a certain type of audience, the audience also expects something from the speaker. Every audience has a certain set of expectations when assuming the part of the receiver of a message. It is very important that the communicator is prepared to fulfil these expectations. When s/he succeeds to do so, successful communication occurs. Frequently these expectations do not focus only on the message, but on the whole communication process, this includes the communicator as a person (credibility, reputation, communication skills, etc.), the informational content to be delivered, the way in which the information is to be conveyed, the time interval in which the communicational transfer is to be made and many other aspects. If there is a significant difference between the audience’s expectations and the performance of the communicator, the communication process is damaged.

Consequently, one may ask about the benefits of analyzing the audience in professional communication. The answer is very simple, the chances of having successful professional communication increase when having an audience strategy. Getting and maintaining a certain professional reputation, gaining more money for the company, closing business deals successfully, and last but not least, personal satisfaction for the communicator that a message well delivered

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and well received is worth the time and the effort are only but a few of these benefits.

Still, the ideas presented so far focus mainly on how to identify the type of audience and to analyze the audience’s needs and expectations, but furthermore, professional must use this information in order to actually catch the audience’s attention. There are many useful strategies to be kept handy for any professional, knowing them and knowing how to use them, makes communication a step closer to reaching its ultimate gold, namely that to achieve informational transfer.

Even before coming in front of an audience, it is important for the speaker to have a good professional reputation. An audience is more likely to pay attention more carefully to someone who is considered a good professional, rather than to someone who has not earned such reputation. However, this element may be missing for various reasons: either that the communicator is a beginner and has no reputation at all, or s/he is not known to the audience. In which case, his/her task to catch the audience’s interest is even more difficult, the speaker has to convince the audience that s/he is well prepared, has good communication skills and excellent knowledge of the subject matter.

When actually referring to the oral delivery itself, all theoreticians agree on the fact that the first part of any presentation bears the utmost importance. The speaker needs to establish a rapport with his/her audience in the first few minutes of interaction. At pre-informational transfer stage, the speaker must make no mistake about all elements that are external to the informational content: choice of clothes, adopting the appropriate language and register, tone of voice and volume, frontal position, etc. These elements build a certain positive or negative image and build the projection of the speaker’s identity. In the case in which the communicator fails to captivate the audience from the very beginning, it is very unlikely s/he may be able to do so at a later time, during message delivery itself. Therefore, orators are advised to begin in a positive note (with an amusing statement, a joke, a powerful affirmation or a provocative question), with something that is or is not connected with the topic itself. The audience does not
only have an intellectual response to the presentation, but they also have an emotional response, therefore it is important to take into consideration both the emotional and the intellectual cues.

Another strategy to win the audience’s attention, which can be used alone, or in combination with the strategy presented in the preceding paragraph, is that of motivating the audience. Usually, this is done by explaining to the audience which the benefits for listening to the presentation are. From the very beginning, in oral communication, an audience is attending a presentation for a certain reason; however, this reason may not be a sufficiently good one to make them actually listen to the speech. This situation is more then often typical for professional communication, staff members have the obligation to attend various operational meetings, but they may have other more pressing problems to tend to, so, unless properly motivated, they may be unable to focus on the presentations which are part of that meeting. Still, when explicitly presented with the benefits of concentrating on a certain matter, the audience will be more aware of the importance of the presentation for them, consequently listening more carefully.

Assuming that the speaker manages to captivate the audience from the beginning it still leaves the problem of keeping the audience alert and interested for the rest of the presentation. At this point, excellent preparation on the part of the speaker is the best strategy. Everything counts at this stage: good knowledge of the subject matter, doubled by a good structure of the informational content and supported by good communication skills. The audience needs to be informed on the intentions of the speaker to deliver the information, and also to be informed about the whole duration of the presentation, why they are presented with certain information, how does it fit in the main picture and where the presentation is heading. As long as all these elements are clear in the mind of the receivers, they are theoretically able to follow the unrevealing of information. For this purpose every the presentation is recommended contain visual aids and a coherent structure.

Another factor of utmost importance for the audience, and equally important for the speaker, is the time interval of the presentation. The two parties, the sender and the receiver have a
certain time interval at their disposal, an interval which is mutually agreed upon. Any breach of this convention from the part of the speaker may result in a negative impact on the audience. The audience may become restless, lose interest and stop following the presentation, consequently communicational transfer of information fails. Moreover, the audience has a more positive attitude about presentations with a clear-cut structure, one that allows the public distinguish between: introduction, middle and end, so that they can approximate the time span for the remaining part of the presentation.

At actual stage of the oral delivery, the speaker plays an essential part in stimulating and captivating the audience’s attention. If, in the first part, the physical appearance is significant, for the duration of the delivery, other elements gain prominence. These elements refer only to the speaker and they are: a natural way of speaking, efficient and suggestive body language, permanent eye contact, showing confidence and demonstrating mastery of the subject. The way in which the communicator is able to use these elements works towards turning the group of receivers into a passive or an active audience. The difference between an active and a passive audience is most frequently the difference between an audience who follows the speaker and understands what is being presented, and an audience who is either bored or completely lost, unable to follow what is being delivered. For this reason the speaker must permanently check the audience and adjust the presentation in order to fit best the intellectual and emotional needs of the audience.

One of the most successful strategies is ‘building interaction’, as it is called by Tollefson & Peterson (2000). In order to permanently interact with the audience, the professional can simply ask questions from time to time and check if the audience has been able to keep up with the delivered information. Even when working with smaller or larger audiences, this is possible by inviting everyone to share thoughts, opinions, etc. However, the communicator must be aware that this interaction, if not orderly contained, may cause disturbance, even chaos, at the general presentation level. The
The audience must be clearly guided when and how much interaction is allowed.

The business professional must be aware of the fact that, when making a presentation, s/he is in control, and when succeeding to catch, and even better, to captivate the group’s attention, s/he is receiving the audience’s gift for his/her efforts: a momentary surrender of control, a brief opportunity to inform, persuade and alter them. But this moment is not to be used abusively and unilaterally, even if the speaker delivers a message, the audience is also delivering one, in the form of the feedback. In our case, feedback is the totality of information received as reply to something that has been presented in front of an audience. The feedback is present from the beginning until the end of the oral input, but usually it is more subtly expressed during the delivery and more obvious after the presentation. It may take various forms, from signs of agitation to mesmerized facial expressions, from low voice commentaries to acclamations, from a simple praising word or statement to a vivacious set of applause. Feedback can be constantly checked in the audience’s gestures, body language, or when having eye contact, etc.

The most frequent type of feedback in professional communication is present under the form of questions at the end of the oral delivery. It is almost common knowledge that at the end of any presentation, the audience is allowed time to ask the speaker questions. This can be used as another strategy to stimulate the audience’s attention. When the speaker clearly states at the beginning of the presentation that s/he expects several questions at the end of the speech, s/he exerts pressure on the audience to pay attention to what is being said, as only those who follow the presentation, can ask relevant questions.

After the end of the presentation, the audience must be encouraged to ask questions, these questions need to get the answers containing clear and relevant explanations. The audience must be allowed time to assimilate and accept what has been said and then, according to the initial goal of the presentation, to make changes or to take appropriate measures. A positive note should be maintained during the feedback, just as during the presentation. Any professional presentation must
end cordially for all the people who attended it, both the speaker and the members of the audience. A good level of satisfaction for the audience can be created by two strategies: by emphasizing the new things that have been worth their time and effort, and by thanking the audience for their attention and goodwill. Usually, both strategies are used in professional environment.

The aspects presented above have dealt with the main audience related problems, both from a theoretical and a practical point of view. They point out the fact that successful communication rarely takes place without careful audience identification and analysis. In addition, audience strategies should be well prepared before any presentation and should be adjusted while oral delivery occurs.

Audience’s needs and expectations must be investigated and fulfilled, as a passive audience must be turned into an active one. Building interaction and constantly checking audience response is crucial, and last but not least, keeping the audience positive and satisfied is of tremendous importance.

Finally, any professional must be conscious that even if the audience plays a considerable part when preparing and delivering a presentation, all the other elements constituting the process of communication are equally important. Only by paying attention to all aspects as a whole and to each one separately, successful transfer of information takes place.

**REFERENCES**


EFFICIENT ADMINISTRATION OF PUBLIC 
AND PRIVATE PATRIMONY, OBJECTIVE OF 
THE INTERNAL CONTROL

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ABSTRACT: Directly responsible before society and especially before the 
holders of the right of ownership over the social capital, the national 
economy units offer a rich field of manifestation for the functions of 
economic, financial and administrative control, meant to prevent, identify and 
eliminate any difference of conceptual, organisational and functional nature. 
KEYWORDS: financial control; internal control; preventive financial 
control; operational hierarchic control; financial administrative control; 
material resources; money resources; economic efficiency; patrimonial 
integrity, error; fraud; liability.

The very notion of internal control shows that it is 
organised and exercised within the economic-social units or 
from the immediately higher hierarchic level, without exceeding 
the frame of the respective organisational system.

Internal control aims, first of all, at increasing speed and 
enhancing the liability of economic agents (autonomous 
enterprises under state’s supervision, commercial companies 
public institutions, cooperatist organisations and association, 
private companies) for the administration of their own 
atrimony and for the quality and efficiency of the activities 
deployed.

On the other hand, irrespective of the purpose for which 
they were created, the content of activities they deploy and the 
concrete manner of organisation, the enterprises of diverse types 
are equipped (or self-equipped) with a minimum of economic 
means, which they use according to their needs, and also in full 
compliance with the legal norms in vigour. They have thus as 
common characteristic the fact that material and money values 
are managed within them, which makes it necessary to exercise
a systematic control of their integrity, quality state and manner of use.

Among the internal forms of control, the most representative are: the hierarchic control (operational or compartmental), the preventive financial control and the administrative control.

A summary analysis of the present legislation leads to the finding that only the preventive financial control and the "administrative financial" control are based on legal and methodological norms, mandatory only for the state sector of economy. Such a manner of raising the problem could confuse the patrimonial units (especially the small ones), that will we tempted to unjustifiably restrain their internal control. We refer, first of all, to the control effected hierarchically by all the heads of compartments, which ensures the patrimony protection of and the business success. Secondly, we refer to the forms of "invisible control" (known in our country under the traditional names of mutual or reciprocal control), forms integrated in the very structures of the company’s organisation and leadership. The invisible control is one of the success factors for very many firms and it cannot be neglected. That is exactly why we intend to proceed to a more rigorous scientific analysis of the Romanian enterprises’ possibilities to benefit from the important contribution of the invisible control.

The forms of internal control listed above (hierarchised, preventive financial and administrative ) are institutionalised forms, involving the establishment of concrete functions, task and attributions set by legal norms, statutes or internal order documents. On the other hand, the invisible control represents only a concept at the basis of the organisation of work and informational system within the enterprise. Thus, two diametrically opposed conceptions are known in the world regarding the approach of invisible control in the company: the Anglo-Saxon system (of American origin) and the continental system (of French origin). The American conception has at the core of its construction the principle according to which any operation and transaction should be observable, independently, by at least two persons who fill distinct positions in the company. In this manner, one can discover errors and omissions
and the fraud intentions are discouraged, especially when the first of the two persons does not known which will be the second test. In turn, the French conception refers to the approach of economic and financial operations along fluxes and states the fact that one and the same person cannot intervene twice on the same flux. If we imagine, for instance, a flow for purchasers, we shall have to admit that the persons concluding the contracts becomes incompatible with the launching of orders, acceptance of the goods received, their taking into administration, payment of bills and invoices etc. In the French economic theory and practice this approach is synthetically defined by the notion of separation or delimitation of tasks. Obviously, such considerations belong rather to the field of management than to that of economic, financial and administrative control, and that is why we shall analyse mainly the institutionalised forms of internal control.

The form of internal control within economic agents are interlaced and complete one another, being integrated also with the tasks of other control organisms.

1. HIERARCHISED CONTROL (OPERATIONAL, MANAGERIAL OR COMPARTMENTAL)

This control is a basic attribute of the top executives of economic agents. It is exercised within the normal job attributions or obligations by all the persons in management positions (who have subordinated units or subunits of production, sectors of activity, specialised compartments work teams or groups of persons).

In the practice of economic agents, the hierarchised control can take the form of specialised assistance, having as support the authority of adopting operational decision, and thus acquiring a character of guidance and direct support in the accomplishment of the current tasks. In this case, the hierarchised control has a very wide range of action, comprising in fact all the sides of the activity deployed; however, as these activity are structured along subdivisions or specialised compartments, the control is done within them, that is why it is also known under the name of compartmental control.

Theoretically and methodologically, the hierarchised
control derives from the general principle of “delegating the authority of leadership and control” according to which, in a modern company, each position has to be assigned well-defined liabilities, accompanied by the authority adequate to the respective position, so that the fulfilment of tasks could be monitored and measured.

Concretely, the executive officers, irrespective of the organisational level where they act, have a series of specific obligations, such as:
- to exercise a direct and unmediated control over the subordinated compartments, as well as ad hoc controls where material and money values are kept and manipulated;
- to develop self-control and mutual control in the current work of the subordinated staff, over all operations, works and transactions effected;
- to establish, for each subordinated person (who in turn has an executive position), the attributions of hierarchic control, the conditions of its exercise and the liabilities for the concrete manner of fulfilling it.

In virtue of these general obligations and taking into account the activities and operations requiring a periodic control within each economic agent, one can proceed to the proper organisation of hierarchised control, by means of internal orders or decisions. In these documents, the leadership or the board of directors sets the nominal control tasks assigned to each hierarchic level, clarifying the activities and operations that constitute the object of control, the periodicity of control, the goals aimed at and the persons responsible for the pyramidal fulfilment of leadership, facilitating thus for the control to get closer to the place where decisions are made and liabilities are concretised for the administration of the patrimony of economic agents. In turn, the operational character is given by the fact that this control is exercised simultaneously with the deployment of economic and social activities, allowing the identification and “on the fly” removal of the deviations from the economic, technological, contractual or financial discipline. In this manner, hierarchised control acquires also a current character, being continual and systematic, exercised in direct correlation with the decisional tasks of the leadership bodies.
2. PREVENTIVE FINANCIAL CONTROL

It is an attribute of the financial and accounting function within economic agents and a basic instrument of provisional administration. It aims at preventing negative phenomena, reaching the most efficient use of resources, strengthening order and discipline in the administration of patrimony and ensuring the liability degree of those who adopt economic and financial decisions regarding the engagement and realisation of expenditure within the patrimony units.

The necessity of this control results from the fact that in a competition economy there is incompatibility among oversized expenditure, illegal or undue payment, poor administration, waste and other forms of property endangering, irrespective of its nature, situations which affect the potential and force of economic agents.

The preventive financial control is organised and operates unitarily on all levels and in all compartments of national economy. In the case of autonomous enterprises under state’s supervision and public institutions, the organisation and exercise of preventive financial control is set by norms of the Ministry of Public Finances, approved by Government Decisions. In the case of the other economic agents, the concrete manner of obtaining and exercising it can be found in their own statutes or left to the latitude of the leadership organisms (board of directors), without breaching however the legal provisions in vigour.

In the general context of the present organisation of Romania's economy, the basic tasks of the preventive financial control refer with priority to the prevention of breaching legal norms and bringing damage or prejudice, whereas the content of this activity is given by the examination, based on documents, of economic and financial operations that are to take place in the future, under their five essential aspects: legality, reality, necessity opportunity and economicity.

Under the aegis of the normative acts in vigour one obligatorily subjects all patrimonial operations to the preventive financial control, i.e. the operations triggering (in the sense of creating, modifying or extinguishing) patrimonial rights and
obligations of the units in the public sector towards other legal or natural persons, the state budget, banks, insurance organisms, social security institutions, internal staff etc, both in the engagement and in the payment phase.

For the units with economic activity (autonomous enterprises under state's supervision or national societies), we include in the category of these operations:

- Conclusion of contracts with internal and external partners;
- Cash-ins and payments of any nature, made in cash or through banks, in lei or hard currency, with legal or natural persons;
- Recording among expenses, special funds or results certain amount leading to the reduction of profit or registered capital;
- Renting, assignment or mortgaging assets, subunits or component units.

Similarly, within the budgetary unit one subjects to the preventive financial control the projects of operations related to:

- Legal and budgetary engagements;
- Opening and distribution of budgetary credits;
- Modification of distribution per trimesters and subdivisions of the budgetary classification of the credits approved, including by credits’ transfers;
- Expenditure ordering;
- Cash-ins in cash;
- Constitution of public revenues, regarding the authorisation and establishment of cashing titles;
- Sale, mortgaging, assignment or renting of assets from the private domain of the state or administrative-territorial units;
- assignment or renting assets from the public domain of the state or administrative-territorial units;
- other types of operations, set by the Order of the Minister of Finances.

These operations can be adapted and completed, according to the specificity of activity and the organisational structures of each unit.

All documents containing operations of the above category, accompanied by the afferent justifying documents and signed by the heads of compartments issuing them or who are to effect the respective operation are obligatorily presented to the
entitled organisms, for the visa of preventive financial control. We shall resume this subject later.

The organisation of the preventive financial control must be correlated with the requirements of the present economic and financial mechanisms and with the concrete necessities of an efficient administration of the public and private patrimony. This means that the organisation of the preventive financial control should not be limited to the units for which obligativity is set by legal norms. All legal persons carrying on economic and financial activities are at least interested in exercising an internal control, preventive, severe and efficient, which can be organised following the model of the control imposed for the public sector of the state economy and administration.

As general principle, the preventive financial control is organised and exercised within all patrimonial unit with legal personality and internal accounting organisms.

In each patrimonial unit, irrespective of its nature and level, the preventive financial control is organised and exercised within the compartment with financial-accounting attributions. In fact, the head of this compartment, more precisely the financial-accounting manager or his replacing deputies, the bearer of the visa of preventive financial control. When the bearer is absent from the unit, control is exercised by his legal or factual replacing deputy. Moreover, when the volume or complexity of the patrimonial operations justifies such a measure, the preventive control can be effected also by other persons within the compartment (in other words those who fill accounting or financial-accounting attributions in the respective unit). These are known under the name of empowered persons, nominally set by the leaders of the unit (at the proposal of the visa bearer), with the mandatory mention of the operations whose preventive verification falls within their competence. As an exception, in very large units the preventive financial control can be organised under the form of specialised, distinct compartments (offices or services). Obviously, the organisation of such specialised compartments does not exonerate the visa bearer from the tasks he has in the matter of guidance and coordination of activity, nor from the obligation to ensure the normative acts and necessary documentation in the control.
activity.

We encounter certain particularities in public institutions, where the preventive financial control is organised and exercised under the following forms:
- internal preventive financial control;
- delegated financial preventive control, by the controllers delegated by the Ministry of Public Finances.

The public entities where the preventive financial control is organised are:
- public authorities and autonomous administrative authorities;
- public institutions belonging to the central and local public administration and public institutions subordinated to them;
- autonomous enterprises under state’s supervision of national or local interest;
- national companies or societies;
- commercial companies where the state or an administrative-territorial unit detains the majority capital;
- agencies, with or without legal personality, managing funds come from external financing, reimbursable or non-reimbursable, such as: project management units (PMUs), project co-ordination units (PCUs), PHARE payment and contracting office (PPCO), the SAPARD Agency, the National Pre-Accessing Fund, as well as other agencies for the implementation of EU community funds;
- The Ministry of Public Finances, for the treasury operations, public debt, realisation of state’s revenues and Romania’s contribution to the European Union’s budget;
- executive public authorities of the local public administration, for the operations of public debt and realisation of own revenues.

The public entities, through their leaders, have the obligation to organise the internal preventive financial control and the recording of the engagements within the accounting compartments. Depending on the nature of operations, the top management of the public entity can decide the extension of control to other specialised compartments also, where payment obligations or other patrimonial obligations are initiated, through legal acts, or encountered. The heads of the public entities have the obligation to establish the drafts of operations
subjected to the preventive financial control, the justifying documents and their circuit. The internal preventive financial control is exercised through visa, by persons within the specialised compartments, appointed in this respect by the head of the public entity. The appointment act will also comprise the competence ranges in the exercise of the internal preventive financial control. The persons appointed to effect this activity are distinct from those who initiate the operation subjected to the visa.

The appointment, suspension, destitution or change or the staff carrying on activities of internal preventive financial control is made by the head of the public entity, with the agreement of the supervising public entity, and in the case of the public entities where the function of main authorising officer for the state budget, the budget of the state social security funds or the budget of any special fund, with the agreement of the Ministry of Public Finances. The persons appointed to exercise the activity of internal preventive financial control must have the professional skills required by this activity. They will observe a specific code of professional norms, elaborated by the Ministry of Public Finances, comprising also the unitary conditions and criteria that public entities must respect in the case of appointing, suspending, destituting or changing the personnel effecting this activity.

The effective organisation of the activity of preventive financial control will have different particularities from one unit to the next, depending on its size and level, the complexity of patrimonial operations and the specific conditions, but it will preserve a general line of behaviour, valid for all economic agents. In practice, this is done through certain acts of interior order disposition (Decisions or Orders issued by the unit’s leadership obligatorily comprising the main elements necessary for the organisation of the preventive financial control, such as:

a. the bearer of the visa of preventive financial control (head of the compartment with financial-accounting attributions) and his legal or actual replacement;

b. the persons empowered to exercise preventive financial control, with the indication of their position in the unit, as well as of the operations or documents assigned to them;
c. the goals to be reached on the occasion of this control, for each operation, document or category of documents;
d. the list of the heads of specialised compartments and their replacing deputies (who have the right to sign the documents subjected to the preventive financial control) and their signature specimens;
e. the maximum delays, broken down into operations, within which the verification will be made, and the control visa of the preventive financial control can be granted or denied.

Furthermore, the order or decision of organisation should comprise the express mention that the operations which, according to the law, are subjected to the preventive financial control cannot be executed and will not be recorded in accounting books without the prior necessary visa. These operations will be distinctly recorded, even when their performance was expressly approved by the top management of the unit.

On the other hand, the activity of preventive financial control presents a remarkable importance for the correct administration of the public and private patrimony. For this reason, our legislation sets not only obligations, but also responsibilities and sanctions for all the persons participating, in one way or another in the triggering, sign off, approval, performance and recording of the economic patrimonial operations. Thus, according to the norms of vigour, the following breaches of the norms of organisation and exercise of the preventive financial control constitute misdemeanours and are sanctioned with fines:

a. failure to issue in due time the administrative acts regarding the manner of organising and exercising the preventive financial control;
b. assigning the exercise of the preventive financial control to certain persons without having obtained prior written information regarding their criminal record, or whose criminal record involves the interdiction of their appointment;
c. elaboration and presentation for the visa of preventive financial control of documents continuing operations without legal basis or with unreal data;
d. granting the visa of preventive financial control to documents
contacting operations by which the regulations in vigour are breached;

**e.** unjustified refusal to grant the visa of preventive financial control for legal operations;

**f.** recording in the accounting books of the operations which, according to the law, are subjected to the preventive financial control, and yet do not bear the control visa of the persons entitled to grant it and the approval of competent organisms;

**g.** the failure of the bearer of the visa of preventive financial control to notify the competent organisms in the cases of visa refusal for which the top management of the unit disposes the performance of operations.

The identification of deviations and application of sanctions is done by the organisms of financial control pertaining to the Ministry of Public Finances, by the internal audit organisms and even by the head of the financial-accounting compartment.

In the particular case of public institutions, the delegated preventive financial control is organised and exercised by the Ministry of Public Finances by delegated controllers. The minister of public finances appoints, for each public institutions where there is the function of main authorising officer for the state budget, the budget of social security or any other special fund, or one or several delegated controllers, depending on the volume and complexity of the activity of the respective public institution. Moreover, the minister of public finances appoints one or several delegated controllers for the operations carried on through the budget of the state treasury, for operations related to the public debt and other operations specific to the Ministry of Public Finances. Furthermore, the Minister of public finances can decide the exercise of the delegated preventive financial control also for the operations financed or co-financed from the public funds of secondary or tertiary authorising officers or of private law legal persons, if through them a high amount of budgetary credits is operated and/or engagements of significant parts of the programmes approved, and the operations suppose a high degree of risk. In order to ensure the legal, economical and efficient use of the funds granted to Romania by the European Union and for the implementation of the procedures stipulated in...
the regulations of the financing bodies, the Minister of Public Finances appoints delegated controllers also for the implementation agencies and for the National Pre-Accession Fund.

Through the methodological norms the following are established:

- Types of operations of the main authorising officers whose drafts are subjected to the delegated preventive financial control;
- The value limits above which the delegated preventive financial control is exercised, by types of operations;
- The justifying documents that have to accompany different types of operations;
- The manner in which the delegated preventive financial control should be effected for each type of operation.

The delegated controllers carry on their activity at the headquarters of the public institutions where they have been appointed, exercising the delegated preventive financial control of the drafts of operations priorly signed off by the internal preventive financial control of the public institution.

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BASIC REQUIREMENTS FOR THE QUALITY OF FINANCIAL SITUATIONS

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ABSTRACT: In order to be intelligible, the presentation of information should be done so that it shall not create confusion and erroneous interpretations. The user of financial situation should be offered quality information, based on four essential characteristics: intelligibility, relevance, credibility and comparability.

KEYWORDS: financial information; quality of financial information; intelligibility; relevance; credibility; comparability; caution; continuity of activity; significance threshold; materiality.

A presentation of the financial position, financial performance and cash flows imposes the use of relevant information, credible, comparable and intelligible. The intelligibility of a piece of information supplied by the financial situations means that it can be easily understood by all its users. These users are supposed to have sufficient and reasonable knowledge regarding accounting and economic activities deployment. As regards the existence of certain pierces of complex information, they should not be excluded from the financial records only because they would be more difficult to understand by their users.

The usefulness of information is proved when it is relevant, pertinent, in other words it can influence the economic decisions of its users, helping them evaluate the past, present and future elements, confirming or correcting their prior evaluations.

The pertinence of a piece of information is influenced by the significance threshold or the significant importance. Any type of information is considered to have significant importance if its omission or inexactness would influence the users’
economic decisions.\textsuperscript{6} The significance threshold depends on the size of elements or errors, regarded through the prism of the errors of omission or wrong declaration. Thus, the significance threshold represents rather a limit than a characteristic of the information quality.

A piece of information is \textbf{credible} if the user can rely on it. According to IASC, the reliability of a piece of information supposes another five additional qualities:

(a) The information should present, first of all, a \textit{true image} of transactions and events they intend to represent. Most of the financial information is subjected to a certain risk to give a less credible information than it should, due to the difficulty to identify the transactions and events to be evaluated and application of assessment techniques and their presentation.

(b) \textit{The prevalence of the economic on the legal} or of the reality on the form supposes that the transactions and events should be presented in accordance with their legal nature. Thus, the assets constituting the object of leasing are recorded in the tenant's balance sheet, as long as they remain in the property of the lender.

(c) In order to be credible, the information should also be \textit{neutral}, i.e. free of influences and subjectivism. The financial situations are not neutral if they influence the decision making of the users in a single predetermined sense.

(d) \textit{Caution} is another quality related to the credibility of information, as it seems necessary due to the fact that most events and transactions are subjected to uncertainty (cashing in of doubtful book debts, probable use duration of equipment, number of possible claims related to the products within the guarantee period). Caution is defined as the taking into consideration of a certain degree of prudence within the budgetary year, in order to avoid the overvaluation of the assets and incomes and underevaluation of the liabilities and expenditure. However, considering a too high a caution degree and creation of “occult” reserves and exaggerated provisions no

\textsuperscript{6} Farcane N., Cotlet D. – \textit{Reform in the Romanian accounting system}, Universuri Universitare Editions, Caransebeş, 1999, pag. 41
longer confer to the financial record the necessary reliability and credibility.

(e) In order to be credible, the information from financial records must be exhaustive (complete) within the reasonable range of the significance threshold and the cost for obtaining the respective piece of information.

The comparability of the financial situations can be appreciated under two aspects: in time and space.

The comparability in time means the possibility to compare the financial records of one and the same company during successive budgetary years in the condition of the existence of comparative data of the previous budgetary years and the use of the same accounting methods form one year to the next.

Comparability in space means that the users must be able to confront the financial records of their company with those of other companies with similar object of activity or with companies from the same branch. Comparability in space cannot be achieved, because of the different accounting methods used by those enterprises, that is why one has to specify in the explanatory notes the accounting methods used.

The relevance of the information supplied by the financial situations risks to be lost if there is a significant reporting delay. Thus the leaders of the unit can choose between a pertinent, relevant credible piece of information which arrives late and an opportune piece of information, but less credible.

The accounting practices of the market economy countries cannot be conceived any longer without reference to the principles governing accounting.

The accounting policies are the specific principles, conventions and rules adopted by a company when elaborating and presenting financial records.

In order to provide a true image of the patrimony, financial situation and results one must observe, in good faith, the rules related to the patrimony assessment and the other accounting norms and principles, which will be presented below in accordance with the Order of the Minister of Finances OMF 94/2001 for the approval of the Accounting regulations
harmonised with the Directive IV of the European Economic Community and the International Accounting Standards.

The principle of the activity continuity. According to this principle, it is supposed that the company continues its normal operation in a predictable future, without risking winding off, bankruptcy or important reduction of activity.

If the top management of the company finds some elements of uncertainty related to certain events that risk to endanger the carrying on the activity in the future, these elements should be presented in the explanatory notes.

When the financial records are not elaborated on the basis of the principle of activity continuity, this should be communicated, and the enterprise should also explain the reasons of not continuing the activity and indicate the methods used for the elaboration of accounts.7

The principle of the permanence of methods. This principle supposes the continuity of the application of the same rules and norms related to the evaluation, accounting recording and presentation of the patrimonial elements and of results, ensuring comparability of accounting information in time. There are certain derogations from this principle as regards the following situations, when:

- A significant change in the nature of the company operations (a change of presentation can be motivated by an acquisition of an important assignment of activity) or a revision of the presentation of financial situations proves that a change will generate a more adequate presentation or events or transactions; or
- A change in presentation is required by an international accounting norm or an interpretation of the Permanent Committee for the Interpretation of Standards.8

It is very important to mention in the explanatory notes the modification of accounting policies so that the users could appreciate:

8 idem, ibidem, pag. 49
- If the new policy was chosen appropriately;
- The effect of the modification upon the reported results of the period;
- The real trend of the results of the company’s results.\(^9\)

A change in presentation in accordance with the national requirements is allowed as long as the new presentation is coherent with the requirements of the IAS 1 norm.

**The principle of caution.** According to this principle, the overvaluation of the assets and revenues is not allowed nor is the subevaluation of the liabilities and expenditure, taking into account all the possible risks, depreciations and losses generated by the deployment of the activity in the current or previous budgetary year.

According to the Romanian accounting plan, “caution is the reasonable appreciation of facts, so that one avoids the risk of transfer of the present uncertainties to the future, susceptible to endanger the patrimony and the results of the company”.

There are four moments of the evaluation of the patrimonial elements to which the principle of caution is organically related, however we shall not insist upon them, we shall only list them. These moments are:
- evaluation on the date of entering the patrimony;
- evaluation on the date of inventory;
- evaluation on the date of budgetary year closure;
- evaluation on the date of exiting the patrimony.

The value of any element should be determined based on the principle of caution. We shall especially pay attention to the following aspects: \(^{10}\)

a) One will take into consideration only the profits recognised until the date of the closure of the financial year;

b) One will take into account all the predictable obligations and the potential losses created during the financial year or during a previous one, although such obligations or

\(^9\) XXX - OMF 94/2001 regarding the approval of the Accounting Regulations harmonised with the Directive IV of the European Economic Community and International Accounting Standards, published in Official Gazette M.O. No.85 of February 20\(^{th}\) 2001, pag.10

losses occur between the date of the closure of the budgetary year and the date of the balance sheet elaboration;

c) One will take into account all the value adjustments due to the depreciations, no matter if the result of the financial year is profit or loss.

This principle evolves in time depending on the economic circumstances and can cover different significances depending on the period.

The principle of the intangibility of the opening balance sheet of a budgetary year must correspond to the closure balance sheet of the previous year. Thus the balance sheet at the beginning of the year should be the same, without any change of the balance positions, of the accounts or accounting policies, with the balance sheet at the end of the previous year. This aspect facilitates the verification of the patrimonial integrity, the observance of the respective principle being required by a better information of external information users.

This principle forbids the imputations of the effects of method changes or of error corrections upon the own capital with which the company begins the new budgetary year.

The principle of the budgetary year independence means that the financial situations should be elaborated by ignoring the data related to cash-ins and payments. The exception from this principle is the situation of the cash flows, because the very role of this recording is to supply information about cash-ins and payments. Thus the revenues and expenditure are recorded the moment of their occurrence, without taking into account the date of their settlement.

In other words, the expenses are recorded at the same time with the revenues they refer to.

According to the IAS 1 accounting norm, on the basis of the engagement accounting, the other name of the principle of budgetary year independence, the accounting operations are recognised when they occur (and not as the cash or the cash equivalents are cashed in or paid), are recorded in the accounting records and are reported in the financial situations of the period they refer to.
**The principle of non-compensation.** According to this principle one allows the compensation of the elements of assets with the elements of liability and expenses with revenues only when such a compensation is prescribed or authorised by an international norm of special accounting.

In essence the application of this principle supposes:
- The non-compensation of book debts with debts;
- The non-compensation of the plus-values with the minus-values, in the context of the application of the principle of caution;
- the non-compensation between the non-homogenous value elements (for instance between the entry value and the depreciation provision).

There are also several exceptions form the application of this principle grasped by the IAS 1 norm:
- imputation of the accounting value of an assigned immobilisation with its sale price, obtaining thus the value plus or minus from the assignment;
- deduction from a reimbursement of expenditure, within a convention with a third party, of the afferent expenses;
- presentation of an extraordinary element after the deduction of its fiscal effect and the minority interests;
- compensation of the losses and profits from the exchange rate profits;
- compensated presentation of the profits and loses come from a portfolio of transactions with financial instruments, detained with commercial purposes.

**The principle of prevalence of the economic over the legal** or the principle of the priority of reality over appearance is of English origin, and it is not accepted as such by the countries where the legal aspect prevails the economic one.

The reference to this principle is made in IAS 1 which mentions that: “transactions and other events of the company’s life must be recorded and presented according to their nature and financial reality, without taking into account only their legal

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affiliation. The accounts must describe the economic-financial reality and should not be limited to the legal aspect.”

Thus, the principle is in contradiction with the continental conception regarding the prevalence of the law over the facts, which considers accounting by describing the law as basis of objectivity.\textsuperscript{12}

**The principle of the significance threshold** or the relative importance is one of the new principles occurred in the new accounting system.

The financial situations result from the processing of a large volume of transactions, which are structured by cumulating groups according to their nature or function. An element which is not sufficiently significant to be presented separately from the proper financial situation can however be sufficiently significant so that it should be presented in the notes.

In general, an element presents relative importance (is significant) if one supposes with due grounds that its evidencing will influence the decisions of the users of financial reports.\textsuperscript{13} In this respect, IAS 1 stipulates that beyond the application of the technical rules and professional reasoning, the accountant has the obligation to supply the users with pertinent information that should not lead them to erroneous interpretations and thus implicitly erroneous decisions.

The relative importance depends on the size and nature of the element analysed in the particular circumstances of its omission.\textsuperscript{14} The significance threshold implies the fact that one should not observe the specific requirements of evidencing the International Accounting Standards if the information resulted is not significant.

\textsuperscript{12} Tabără N., Horomnea E., Toma C. – Annual accounts in the decisional process, Moldova Editions, Iaşi, 2001, pag. 39

\textsuperscript{13} Belverd E. Needles, Jr. et al. – Basic principles of accounting, 5\textsuperscript{th} edition, Arc Editions, Chişinău, 2000, pag.322

\textsuperscript{14} Feleagă Niculae – Compared accounting systems, 2\textsuperscript{nd} edition, vol II, International accounting norms, Economic Editions, Bucharest, 1999, pag. 49
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