

ACCOUNTING POLICIES AND CONTROL FUNCTIONS

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Abstract

The content and quality of accounting depend on the accuracy of interpretation and the scientific depth of the development of accounting policies which define the organization principles, methods, rules and practices of accounting administration executed in accordance with the requirements of national and international standards, European directives and other regulations.

The article examines the value and impact of accounting policies on the maintenance and operational use of economic data in the exercise of the control functions and making management decisions. Due to the globalization of accounting procedures, most of the correspondent research works focus on its financial and reporting aspects. Thus, management accounting and its implementation in the execution of internal control and operational decision-making has not been fully studied. Accounting policies serve to organize the synthetic and analytical accounting and ensure timely obtaining of reliable economic data.

The author of the article has studied the content of accounting policies in trading with regard to the range of administrative, trading and selling expenses, as well as the principles, assumptions and materiality thresholds implemented in their recognition and assessment. The present paper implements various scientific methods and techniques such as synthesis, analysis, induction, deduction, grouping, classification, monitoring, measurement, and others.

The range of problems arising in the development of accounting policies aimed at ensuring internal control and audit is based on several research papers written by domestic and foreign authors, as well as the international and national standards of accounting and financial reporting, European directives, regulations, instructions and other normative and legislative acts concerning accounting and managerial control at enterprises, trade organizations and consumer cooperatives.

Keywords: *financial accounting, management accounting, internal control, accounting policies, costs, revenues, materiality thresholds.*

1. Introduction

On January 1, 2015, Moldova has mandatorily introduced at all enterprises and cooperative organizations the national accounting standards and the General Accounts Plan, as well as a number of guidelines and recommendations to be used during the transition to the above new system of accounting and reporting. In a way, these new standards synthesized the principles and assumptions implemented in the recognition and assessment of several accounting entries as compared to the accounting standards existing until the year of 2014. The content of the new national accounting standards approaches the international accounting standards which came into force in the Republic of Moldova in 2012.

Hence, the requirements for accounting policies has changed that resulted in a new approach to the recognition, assessment and accounting recording of assets, liabilities, revenues, costs and other accounting entries. In our view, more and more information provided in accounting policies should reflect the responsibility and expense points in order to identify those responsible for the

performance indicators of the enterprise. In addition, the accounting policies shall provide more attention to obtaining management accounting information, drafting of internal operational reports for rapid analyses and decision-making.

In this paper, recommendations for the development of internal control systems to be implemented at structural units of an enterprise are drawn up based on the examples of commercial enterprises and cooperative consumer organizations; and therefore, a system of accounting policies is developed to ensure obtaining the required internal and external economic information necessary to assess the situation and make effective decisions.

2. Previous Studies of the Topic. Research Goal

The issues concerning the development of the content of accounting policies were researched by a number of scholars and practitioners in Moldova and in the world, including the following: Karasch M., Tsurkanu V., Tuhari T., Nederitse A., Bazheryan E., Bucur V. (Moldova), Veryga I. (Ukraine), Vakhrushina M. A., Paly V. F., Generalova N. V. (Russia), Ristya M. (Romania), Needles V., Anderson N., Gruening N. (United States). The existing studies generally regarded the use of methods, techniques and rules of accounting recommended by the international standards of accounting and financial reporting. However, the practical implementation of new accounting and auditing regulations in the economic activities of the corporate sector in Moldova requires a more careful approach to the use of information on accounting and statistics for correct selection of tools and mechanisms used in the system of operational control and decision-making. The relevance of this paper lies in the reorientation of research on the use of accounting policies in the system of internal accounting and reporting data for the organization and expansion of the range of influence of control functions in managing enterprises based on the practical data of the cooperative consumer system.

3. Methods and Materials Employed

In the study, the author used various methodological research tools, including the following: the systematic method, the logical reasoning method, the dialectical method, document analysis, observation and measurement, the method of absolute and relative values, analysis, synthesis, grouping, classification and others.

Accounting and control form the basic data of financial and economic activities which are further structured at the micro and macro levels with the tools used in planning, finance procedures, analysis and assessment of assets and financial results of an enterprise, an organization or a national economy branch as a whole. In this regard, the author makes extensive use of scientific and economic research methods in the study of the contents of accounting policies and their application in internal control for timely management decision-making.

4. Results and discussions

Accounting policies represent a set of accounting methods and rules used in the process of primary observation, cost measurement, grouping and final conversion of business factors. As it is commonly known, both International and National accounting standards provide for various possible options, as well as methods of calculation and presentation of economic facts concerning

enterprise activities. The challenge is to establish these possible accounting rules and methods that would ensure the maximum effect upon their introduction. In this case, the effect means the process of timely generation of financial and management information along with achieving its accuracy and usefulness for a wide range of interested users responsible for the execution of control and decision-making functions.

During current accounting and reporting, accounting policies of an enterprise (organization) should be fully comprehended and correctly implemented by the following employees:

Firstly, chief executives, not only because they are responsible for approving these policies, but also due to the fact that business results of an enterprise (organization) mostly depend on the implemented principles and assumptions, as well as the rules and methods of recognition and measuring assets, liabilities, income, expenses and other accounting and reporting components;

Secondly, accountants who should competently and fully justify the contents of the accounting policies being developed;

Thirdly, auditors who usually start auditing companies by checking their accounting policies to present their findings and conclusions on the state and prospects of the financial and economic development of the audited economic entity;

Fourthly, tax inspectors who shall understand all the principles implemented in accounting policies and affecting the procedure of the formation of taxable items.

Selecting accounting policies is based on the following requirements:

- ✓ the consistency of methods and techniques, i.e. accounting policies that stay unchanged over a long period of time;
- ✓ regulating the principles with the applicable regulatory acts;
- ✓ the procedures of notification of the external information users on the changes introduced to the accounting policies.

As of 2015 and hereafter, the integrity and quality of accounting policies, used at enterprises in the Republic of Moldova, depend on the depth of specialists' understanding of the new National Accounting Standards and the General Accounts Plan mandatorily enforced on January 1, 2015.

Before starting to work on the development of accounting policies, chief accountants shall compile and describe the following documents and annexes:

- ✓ the operating accounts chart including the list of synthetic and analytical accounts necessary for the execution of accounting in accordance with the latest requirements and ensuring accounting and reporting completeness;
- ✓ reference forms of primary documents used for the arrangement of business factors not provided for by the standard forms of primary documents as well as documents recommended for internal accounts reporting aimed at controlling the implementation of management decisions;
- ✓ accounting register forms aimed at the representation of entries on synthetic and analytical accounts;
- ✓ regulations and schedule of inventorying stores, settlements of obligations and debts receivable with regard to the characteristic aspects of the business entity being inventorized;

- ✓ materiality thresholds recommended for specific accounting objects and components aimed at the differentiation of individual groups and types of assets, as well as the recognition of current and future revenues, costs and the reserves of the enterprise;
- ✓ assessment methods for assets and obligations;
- ✓ document flow rules and methods of processing accounting data;
- ✓ control organization procedures for the responsibility and expense points in accordance with the Law on Accounting, Internal Control and Audit;
- ✓ other solutions, norms and standards recommended for use at the enterprise in the implementation of its economic activities (fuel consumption rates, utilization and decommissioning terms for car batteries and tires, etc.).

When developing accounting policies, one should take into account a number of principles and assumptions, the main examples of which are as follows:

- ✓ the principle of ring-fenced assets, i.e. the assumption that the assets and liabilities of an enterprise (organization) exist separately from the assets and liabilities of other enterprises with the use of off-balance sheet accounts;
- ✓ the going concern principle characterized by the continuation of business activities in the foreseeable future without any intent of eliminating or significantly reducing them and, therefore, the fact that obligations will be settled in accordance with the established procedures;
- ✓ the principle of the constancy of accounting practices that implies consistent application of accounting policies without significant changes. Compliance with this principle makes it possible to orient an enterprise for the future development and the development of a goal-oriented strategy, balanced analysis of the current legislation;
- ✓ the accrual principle, i.e. definition of the timing of business factors – correlating them to the accounting periods in which they took place, irrespective of the actual receipt or payment time. In practice, the uncertainty and difficulties in the correct application of the accrual or cash method lead to a lack of confidence in the understanding of the distinction between small and large businesses. This may lead to erroneous recognition of revenues and expenses, which in turn has an impact on the incorrect determination of the financial results of an enterprise.

Taking into account the specific features of commercial enterprises and organizations including the system of consumer cooperatives, accounting policies should include the general principles of the organization and methodology of the research object characterized by a legal, regulatory and informational character, acting as the guarantor of the quality of information and ensuring transparent process management including the establishment of response procedures to identify the sources of capital expansion.

When drawing up accounting policies, accounting professionals should pay primary attention to ensuring the optimal efficiency of the organization of accounting and reporting procedures using the following three-level regulatory system:

- ✓ laws and regulations of general purpose;
- ✓ accounting laws and regulations regulating maintenance of accounting records including, first of all, the National Accounting Standards, General Accounts Plan, as well as International Financial Reporting Standards (IFRS);

- ✓ internal documents, regulations, managers' reports (internal reporting) ensuring monitoring and making management decisions.

As it is commonly known, the role and function of accounting at any enterprise and organization is to ensure correct and timely information for daily monitoring of the activities in all areas and departments of the correspondent business entity. Article 41 "The System of Internal Control and Internal Audit" of the Accounting Law of the Republic of Moldova underlines that any economic entity is obliged to organize a system of internal control, the responsibility for the operational quality of which shall be assigned to persons who, under Article 13 of this Law, are responsible for accounting and the preparation of financial statements.

Accounting policies should provide for documentation systems, contents and forms of internal reports compiled by the correspondent managers and used in the implementation of the operative internal control.

The internal control systems use information provided by a variety of management departments and units.

In our opinion, the information used for the management control functions shall consist of the following sources:

- ✓ accounting information system;
- ✓ information system of other economic services (Planning and Finance Departments, Standards Department, Human Resources Department and others);
- ✓ information system of marketing, prices, tariffs, purchasing contractual relationships for purchasing, selling products, goods, services, etc.;
- ✓ information system of technical and technological matters, investment, production capacity, quality of products and services, etc.

The above information system should be collected at an enterprise by means of its consolidation in internal management reports in accordance with the requirements provided for in the special regulations on internal control.

We consider that enterprises shall approve the establishment of a special department for the provision of information and its use for the purposes of internal control regulating the timing and content of the submitted internal current reports on the sources mentioned above.

Accounting information includes:

- ✓ cash and use of cash;
- ✓ calculation of various indicators and their registration on synthetic and analytical accounts;
- ✓ registration of costs and expenses within normal ranges and deviations from these normal ranges;
- ✓ calculation of the self-cost of products;
- ✓ accounting recognition of the sales results, revenues, profits, taxes, etc.

The main source of information on financial and economic outcome is the Accounting Department and other financial and planning services and departments of an enterprise.

An important source of the implementation of control functions and taking management decisions at an enterprise is the marketing data obtained in the study of procurement and sales markets, the formation of prices and tariffs for products, goods and services.

It seems to us that the pricing and tariff policies should be factored into accounting policies and be indicative of the methods of measuring, accounting and calculation of the self-cost and selling prices of products.

The structure of accounting policies largely depends on the structure and legal status of the subject, as well as the depth of understanding of the correspondent regulatory framework and its implementation by chief accountants at the stage of organizing and defining the accounting system of an enterprise, reporting and quality of analytical work on the identification of the sources of business efficiency increase and making up-to-date management decisions.

5. Conclusion

Through the analysis of accounting policies, the whole organization structure of synthetic and analytical accounting is studied in the light of the requirements of national accounting standards and International Financial Reporting Standards (IFRS).

Accounting policies are drawn up at the beginning of the reporting period to ensure comprehensive development of accounting ratios, as well as ratios and indicators of other divisions of trade enterprises, such as marketing, procurement, sales, planning, financial, technical, energy and other departments.

It is suggested to implement accounting policies as a tool to further focus on providing the necessary accounting data to managers, such as cash flows, status of goods in inventories, analytical data on costs, expenses and income related to various sources, data concerning the settlement of receivables and payables, asset profitability, the level of sales return, equity and other information.

At trade and cooperative enterprises and organizations, the author recommends the development and implementation of accounting policies featuring a specific, custom content in order to enhance control over the results of their economic and financial activities.

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Rezumat

Conținutul și calitatea contabilității sunt dependente, în mare măsură, de corectitudinea gândirii și profunzimea științifică a elaborării politicilor contabile, prin care se manifestă principiile și convențiile de organizare, metodele, regulile, procedeele de ținere a acestora în conformitate cu cerințele standardelor naționale și internaționale de contabilitate, directivelor europene și altor acte normative și legislative.

În lucrarea dată se examinează rolul și influența politicilor contabile asupra conținutului și utilizării operative a informației economice în scopurile îndeplinirii funcțiilor de control pentru adoptarea deciziilor manageriale. În condițiile globalizării contabilității atenția primordială în cercetările științifice este acordată direcției financiare și aspectelor elaborării și prezentării situațiilor financiare. Prin aceasta, problemele de dezvoltare a contabilității de gestiune și utilizării informației acestora în scopurile controlului intern pentru adoptarea deciziilor operative la întreprinderi rămân netratate suficient. Politicile contabile se programează în scopul organizării și optimizării metodologiei de ținere a contabilității sintetice și analitice, precum și efectuării controlului pentru obținerea oportună a informației economice relevante și veridice.

Autorul lucrării dezvăluie unele aspecte referitoare la conținutul politicilor contabile în sfera activității entităților comerciale prin specificarea nomenclatorului cheltuielilor administrative, de distribuire, folosind principii și convenții, precum și praguri de semnificație la recunoașterea și evaluarea acestora. În lucrare sunt utilizate diferite metode și procedee științifice: sinteza și analiza, inducția și deducția, gruparea și clasificarea, observația și cuantificarea etc.

Problematica elaborării politicilor contabile în vederea asigurării controlului și auditului intern este abordată în baza lucrărilor științifice ale autorilor autohtoni și din străinătate, precum și standardelor naționale și internaționale de contabilitate și raportare financiară, directivelor europene, regulamentelor și instrucțiunilor, precum și altor acte legislative și normative aferente ținerii contabilității și desfășurării controlului la entitățile de comerț și ale cooperăției de consum.

Cuvinte-cheie: contabilitate financiară, contabilitate de gestiune, control intern, politici contabile, cheltuieli, venituri, praguri de semnificație.

Аннотация

Содержание и качество бухгалтерского учета зависят от правильного осмысления и научной глубины разработки учетных политик, в которых раскрываются принципы организации, методы, правила, приемы его ведения в соответствии с требованиями национальных и международных стандартов, Европейских директив и других нормативных и законодательных актов.

В статье рассматриваются роль и влияние учетных политик на содержание и оперативное использование экономической информации при осуществлении контрольных функций и принятии управленческих решений. В связи с глобализацией бухгалтерского учета основное внимание в научных исследованиях уделялось его финансовому направлению и аспектам составления финансовой отчетности. Таким образом, вопросы, связанные с управленческим учетом и его использованием во внутреннем контроле и принятии оперативных решений на предприятии остались не до конца раскрытыми. Учетные политики программируются с целью организации синтетического и аналитического учета и контроля для своевременного получения необходимой и достоверной экономической информации.

Автор статьи анализирует содержание учетных политик в сфере торговой деятельности с учетом номенклатуры административных и торгово-коммерческих расходов, используя принципы, допущения, а также пороги существенности по их признанию и оценке. В настоящей работе используются различные научные методы и приемы, такие как: синтез и анализ, индукция и дедукция, группировка и классификация, наблюдение и измерение и др.

Проблематика разработки учетных политик, с целью обеспечения внутреннего контроля и аудита, исследуется на базе научных работ отечественных и зарубежных авторов, а также международных и национальных стандартов по бухгалтерскому учету и финансовой отчетности, Европейских директив, положений, инструкций и других нормативных и законодательных актов по ведению учета и выполнению контроля на предприятиях, в организациях торговли и потребительской кооперации.

Ключевые слова: финансовый учет, управленческий учет, внутренний контроль, учетные политики, расходы, доходы, пороги существенности.

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