

THE ROLE OF PROFESSIONAL JUDGEMENT OF AN ACCOUNTANT IN THE RATIONAL ORGANIZATION OF ACCOUNTING AND FINANCIAL REPORTING

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Abstract

The accounting system and the problems of its organization are largely due to the situation of international and national standardization in a market economy. National accounting standards provide a large variety of methods and techniques for recognizing and evaluating such elements as assets, equity, liabilities, income, expenses. The search for the most rational approaches in organizing the accounting is determined by the state of accounting policies, the content of which depends on the professional judgement of the accountant, i.e. on his creative and scientific level of implementing the issues for an economic entity's accounting.

In this article, the author focuses on the development of the professional judgement of an accountant, as a piece of intellectual matter, which, as regards to his professional skills, is able to solve complex problems in organizing preparatory accounting work, in accounting and in drafting financial reporting.

A sufficient level of excellence in accountant's professional judgement is determined by the author through the ability to develop and use primary documents and registers of synthetic and analytical accounting, setting significance thresholds in the preparation of accounting policies, in terms of recognizing and evaluating the accounting elements, using provisions (estimated reserves) in the time-based distribution of expenses (current and future periods), as well as on organizing item-by-item the analytical accounting of costs and expenses at the enterprise.

Keywords: *professional judgement of an accountant, rational organization of accounting, significance thresholds, accounting policies, recognition and evaluation of accounting elements*

1. Introduction

The globalization and standardization of accounting at the world's level requires the reforming of the system, making significant changes in the organization and maintenance of accounting in economic entities of the Republic of Moldova. The development and implementation of the Law on Accounting and Financial Reporting, the National Accounting Standards (NAS) and other legislative and regulatory acts in the Republic put forward new increased requirements for accounting and control specialists, that, as a result, leads to an increase role of an accountant in the process of generating current accounting and financial reporting information.

The level of professional judgement of an accountant is measured by the additional baggage of accumulated professional wisdom and practical experience, expressed in his competence in taking rational and effective decisions. The formation and improvement of professional level seems to be a diverse and complex process, because its content is influenced by various

factors, starting with the level of acquired professional knowledge in an educational institution, then using the official positions in the field of accounting and auditing and further improve the self-education and professional development by studying new and changing laws and regulations on accounting and financial reporting.

The Dutch philosopher-materialist Benedict Spinoza (1633-1677) in his work "Ethics" proved the existence of the matter as something created by nature or God. The man, as a particle of this matter, is able to think, create ideas by developing his mind, to find the essential properties of general ideas, which constitute the foundations for science. Theoretical research in accounting, displayed by professional rationality of an accountant, borders on a rational, a perfect understanding, scientific approach to reality.

Science and practice in different areas of human life, including accounting, go side by side, complement each other and complete each other's content. It has long been proven that practice without theory (science) is blind, and science without practice is dead. Both in one and in the other content, there is that rational grain, which in accounting is measured by professional rationality, considered, according to the scientists of Moldova L. Grabarovskaya and G. Bezhan, as the driving force for the development and further improvement of accounting regulation and reform [4, p. 20].

Based on the views of the philosopher Spinoza, we believe that in professional judgement, through rationalism, in accounting there appears a piece of intellectual significance which is manifested through a rational, intelligent organization of accounting and economic analysis in order to make correct and reasonable, from the point of view of science and practice, managerial decisions in the activities of business entities. From the economic point of view, a rational decision is an action based on selection, comparison of many expedient factors by minimizing the use of funds and time and obtaining maximum effective results. In the entire chain of accounting operations, the rationality of their reflection is pursued through a high level of professional judgement of the accountant.

2. The level of researched problems and the purpose of scientific research

The legislative and normative acts constitute the basis for the regulation and organization of accounting at enterprises. The fundamental document for meeting the requirements of national accounting standards are accounting policies which are drawn up annually, taking into the account the independent interest and rationality of applying the methods and options for recognizing and evaluating the relevant elements of accounting. The level of organization's rationality and accounting in the conditions of the requirements imposed on it, is determined by the quality of accountants' training.

The root content of skills and professionalism is the professional judgment of an accountant, which expresses itself through the ability of an accountant to achieve a high level of intelligent organization of accounting and reporting in the interests of the effective operation of an economic entity.

The measurement of professional judgement level can be manifested through the quality of putting together the accounting policies. They reflect various components based on the

requirements of the Law on Accounting and Financial Reporting, NAS and other regulations in this area.

A significant role at the level of accounting judgement is played by the quality of the professional judgement of an accountant. This article reflects the various parts of the accounting system that need constant professional judgement of an accountant. The main ones are: the development of accounting information carriers (primary documents, accounting registers, workflow), financial reporting, the definition and analysis of accounting techniques, methods and principles disclosed in accounting policies, as well as the use of significance thresholds, valuation reserves, organizing the analytical accounting of costs and expenses, etc. The above aspects of the study express the purpose of this article.

It should be noted that some issues of professional judgement are being considered by well-known scientists from the Republic of Moldova and Ukraine. The main ones are the publications of Professor A. Nederitsa in the journal "Accounting and Audit" ("Contabilitate și audit"), associate professors L. Grabarovskaya and G. Bezhan in the article "Formation of information on receivables in financial statements: professional judgement of an accountant", published in the materials of the international scientific and practical conference "Perspectives for the accounting development, analysis and audit in the context of European integration" of the Odessa National Economic University dated May 20, 2022, and I. Melnichuk and O. Lopatovskaya "Professional judgement of an accountant in the minds of non-deprivation" in the journal "Economic Space" Nr. 168 from 2021 and others.

The problems which are analyzed by the above-mentioned authors regarding the role of the professional judgement of an accountant mainly relate to certain narrow aspects of organizing the accounting and reporting.

We believe that the problem of developing and improving professional judgement deserves more attention under the influence of multifaceted aspects of the entire system of accounting rationalization in organizational terms, including the quality of the accountant's work and his performance indicators at the enterprise.

3. Research methods and applied materials

In any scientific research, including in the field of accounting, there it is used a dialectical method of matter cognition, consisting of its fundamental components: synthesis and analysis, induction and deduction, grouping and classification, observation and comparison of research objects, as well as modeling and designing individual processes, suitable for their economic, legal, social and technical content.

In this article, the author uses the basic elements of cognition in research on the content of an accountant's professional judgement, such as grouping and classifying the rationalization factors, organizing the accounting. It is also investigated, the factors of knowing the accounting elements through their recognition and valuation, taking into account the utility of their use. A particular attention in the study is drawn to the methods of observation and comparison in the selection of rational methods and techniques in the preparation of accounting policies, the use of significance thresholds in the recognition and valuation of the

main elements of accounting, the use of valuation reserves in the recognition of costs and expenses in space and time of the economic entity's activity.

In methodological studies there are used some philosophical views on the development of fundamental and specific conceptual phenomena, such as professional rationality, judgment, the significance threshold, the norm and regulation of accounting operations, and others. Synthesis and analysis, as cognition methods, are widely used in organizing the accounting on the synthetic and analytical accounts, structural construction of accounting for operating expenses in their itemized content.

The material basis for these studies constituted the main requirements of the Law on Accounting and Financial Reporting, the National Accounting Standards and other legislative and regulatory acts related to the issues under study, as well as the scientific developments and practical recommendations published in the journal "Accounting and audit" ("Contabilitate și audit"), "Accounting and tax consultations" ("Бухгалтерские и налоговые консультации") and other sources.

4. Results and discussions

The qualitative level of an accountant's professional judgement is largely related to the processes of recognition and evaluation of various elements of accounting, such as long and short-term assets, receivables and payables, equity, investments, income, expenses, as well as the analysis of economic operations of business entities. Professional judgement is also associated with the choice of the system and form of organizing the accounting and financial reporting, depending on the categorization of the entity (micro, small, medium, large) and, as a result, the corresponding positions of legitimacy (double entry, simple system, NAS entries, IFRS) for the corresponding subject.

To a large extent, the level of professional judgement of an accountant is manifested in the choice of the most rational and effective techniques and accounting methods when compiling and changing the accounting policies. In this case, competence and his professionalism are manifested through the analysis of the most favorable factors affecting the financial result in order to ensure the stable activity of an economic entity. Wherein the accounting policy, like the whole financial policy, is the art of the possibility [9, p. 24]. And, therefore, this possibility is manifested through a rational choice of methodological techniques and options, recommended by the National Accounting Standards and other regulations regarding the identification and classification of accounting elements, as well as their recognition and evaluation, taking into account the time and space factors of the financial and economic activities of the enterprise.

As a rule, the professional judgement of an accountant begins to manifest itself from the moment of preparatory work on organizing the accounting, that is, in the development and provision of primary documents and accounting registers, drawing up a working plan of an economic entity's accounts, distributing functional responsibilities between employees of the accounting department and compiling for each of them the functional characteristics of accounting work depending on their level of education, knowledge, experience, competence in the field of accounting.

At the same time, it should be borne in mind that the professionalism of the chief accountant and his multifaceted and deep judgement are associated with an understanding of the definition of norms and the regulation of accounting processes, the technology of accounting operations and the measurement of labor productivity of the employees from the accounting department. The norm is a certain limit of any amount of time, expenses, volumes, events or actions that show that for the society, as a whole, human life and enterprise, exceeding this limit, is favorable, timely or, conversely, unfavorable. For example, if the rate of work production per unit of time is overfulfilled, then obtaining additional products will have a favorable and effective state for the business entity; and if the consumption rate of raw materials used per unit of output is exceeding, then it will have a negative, financial situation in creating this product.

There are various types of norms and normalization processes [10, p. 44]: the norm of time, the norm of production, the norms of service, the norms of management, and others that the accountant must manage in the process of planning accounting work, taking into account the simplicity and complexity of accounting operations with a rational organization of accounting and presentation of financial statements. Rationing the accounting work allows you to calculate the required number of accounting workers, rationally distribute the functions between them, require compliance with the schedules, perform accounting operations prudently, avoiding errors and violations, without overloading work and without loss of working time. An essential element in professional judgement should also be considered the issues of preliminary work on the preparation and presentation of financial statements. Such work includes the mandatory inventory of values, cash, reconciliation of receivables and payables, as well as the preparation of accounting operations for closing the accounts of income and expenses of the current year, the transfer of the corresponding shares of long-term income and expenses for future periods by the upcoming reporting time, closing management accounts and more.

Of no small importance for fulfilling the professional judgement is the correction of possible errors and violations in the accounting of past and current accounting periods in accordance with the requirement of NAS "Accounting Policies, Changes in Accounting Estimates, Errors and Subsequent Events" [2, pp. 18-43].

Actual issues in the recognition and evaluation of accounting elements are established and applied in accounting policies of various significance thresholds for the intelligent organization of accounting and reporting. At the same time, the choice and application of the appropriate thresholds (limits) is measured by benefits indicators, the effectiveness of the corresponding impact on the final result (profit).

The main types of significance thresholds include the following:

- Establishment of an estimated reserve for uncollectible receivables. The establishment of this threshold can be expressed in different ways: in a determined percentage of accounts receivable, from the number of sales and other indicators, or in a determined amount;
- in case of maintenance and repair of long-term tangible assets with subsequent attribution of expenses to the current period or future periods, depending on the time of receiving economic benefits from repair expenses, possible attribution of expenses

- for current repairs to an increase in the cost of the object under repair if an additional effect is obtained, economic benefit with further use;
- when determining investment property under conditions of partial transfer of buildings and land plots to operational leasing, moreover, that some of them remain under the use of an economic entity. The interest rate of the significance threshold is determined depending on the shares of transfer to leasing, their areas and the area used by the entity, reflected in the accounting accounts 123 "Fixed assets", 122 "Land plots", or the account 151 "Investment property" [8];
 - when establishing a limit (threshold) of value to distinguish between low-value and wearing items from fixed assets. The Tax Code establishes this threshold in the amount of 6000 lei for each item, but the company has the right, according to the NAS "Long-term intangible and tangible assets", to set a different significance threshold (more or less than the amount of 6000 lei), depending on the interests of the relevant economic benefit received upon their recognition;
 - when recognizing current expenses or deferred income from the tenant and the landlord in accordance with the financial or operating leasing contracts on the basis of NAS "Leasing Agreements";
 - when attributing the difference between the book value and fair value minus the costs of selling in case of impairment of long-term assets to current or future expenses, depending on the established significance threshold in accordance with NAS "Impairment of Assets";
 - when accounting for recognized material damage as current income or deferred income, according to the established materiality threshold based on NAS "Accounts receivable and financial investments", using the account 612 "Other income from operating activities" or the account 424 "Deferred long-term income", the sub-account 4242 "Other long-term income of future periods" and the account 535 "Current income of future periods", the subaccount 5353 "Other current income of future periods".

The essential elements in the content of the professional judgement of an accountant include the creation and accounting of valuation reserves for reimbursement of expenses and losses associated with such phenomena as disputes, fines, penalties, damages and other uncertain obligations. They also include repair and maintenance expenses of the sold inventory assets during the warranty period, expenses for the payment of vacation benefits, for remuneration for the year-end employees of the enterprise, and others. In these situations, intelligence in organizing the accounting is manifested through a reliable determination of the amounts of estimated reserves, as well as their timely and correct use for the purpose of real and commensurate reflection on the basis of relevant events in time and space affecting the income and expenses of an economic entity.

In modern conditions when we look for rationalism in the professional activity of an accountant, a significant role is played by the scientific organization of labor in accounting. The basics of the scientific organization of labor involve the regulation of duties, competences and responsibilities of each accountant; elimination of duplication and parallelism in work; study and constant filling of knowledge related to accounting and method; carrying out integrated solutions and planning processes for organizing the accountants' work; study and

research of novelty in reforming and scientific achievements in theory and practice in the country and abroad, as well as the other factors of a favorable influence on the perfection of accounting organization.

It is advisable to correlate the process of organizing analytical accounting of expenses with their subsequent economic analysis to the significant role of professional judgment. In most cases, cost accounting is built in the context of sub-accounts, which, in our opinion, does not provide complete information about their detailed content recommended in NAS "Expenses". In this case, for example, according to the account 712 "Sales Expenses" by the General Chart of Accounts, it is recommended to organize analytical accounting only on 9 sub-accounts, however, according to NAS "Expenses", it is recommended to provide information on 16 items, and according to the account 713 "Administrative expenses", respectively, on 8 sub-accounts, although in the reporting information under this standard it is recommended to ensure accounting for 30 items. We believe that the current accounting of various expenses of the subject is fair and rational, from an economic point of view, to build accounting for items of expenditure on an accrual basis by months and quarters throughout the reporting period, than to ensure their comparative analysis in dynamics and in a planned manner.

To the problems of the content of the professional judgement of an accountant, we consider it appropriate to also correlate the issues we are studying in the work "Organization of accounting at an enterprise", Chisinau, 2009, where in the chapter "Scientific organization of labor in accounting" there are proposed a number of recommendations in the field of planning the accountants' work, taking into account favorable factors and conditions to ensure the rational organization of accounting, as well as the use of rational scientific tools in the organization of accounting and control over the costs and expenses of subjects from various sectors of the national economy of the Republic of Moldova.

5. Conclusions

The internationalization of accounting and financial reporting, the approval of a new law on accounting and reporting, the development of national accounting standards and other guidelines and regulations put forward new increased requirements for the accounting. There is a need to improve the professionalism in the process of performing the duties.

The growth of professionalism fits into a new higher quality category of an accountant, called the professional judgement of an accountant.

The science and practice of organizing accounting and reporting raises two tasks for economic entities in the development of the economy in market conditions:

- determination of the level of theoretical knowledge and practical experience for solving functional accounting problems through the professional judgement of an accountant;
- determination of a function list for the rational organization of accounting, including all its stages, starting with primary documents, and ending with the preparation and presentation of financial statements, including the implementation of an economic analysis of indicators of financial and economic activity of an economic entity.

In connection with the increasing professional requirements and the role of accounting in the management of an entity, we consider it appropriate to reveal more professionally the rights, duties and responsibilities of the chief accountant, highlighting the content, characteristics and categories of professional judgement of an accountant. It is also appropriate, in our opinion, to disclose a list of functions for the level of professional judgement of a specialist that fall under the issues of rationalism in accounting organizations, for which it is advisable and should be reflected in a separate section of the annual accounting policies of an economic entity.

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Rezumat

În condițiile economiei de piață sistemul contabilității și problemele organizării acestuia este mult afectat de starea standardizării internaționale și naționale. Standardele naționale de contabilitate prevăd o mare varietate de metode și procedee de recunoaștere și evaluare a elementelor contabile cum ar fi: activele, capitalul propriu, datoriile, veniturile, cheltuielile. Selectarea celor mai raționale abordări privind organizarea contabilității poate fi determinată prin calitatea și plenitudinea politicilor contabile, al căror conținut depinde de raționamentul profesional contabil, respectiv de nivelul său creativ și științific în soluționarea problemelor contabile pentru o entitate economică.

În articol, autorul pune accent pe dezvoltarea raționamentului profesional contabil, identificat ca o particulă de substanță intelectuală, care, prin prisma competențelor sale de măiestrie profesională, este capabilă să realizeze cele mai complicate obiective aferente organizării premergătoare, ținerii contabilității și prezentării situațiilor financiare.

Nivelul suficient de perfecționare a raționamentului profesional contabil este determinat de autor prin capacitatea de a elabora și utiliza documente primare și registre de evidență sintetică și analitică, de a stabili praguri de semnificație în elaborarea politicilor contabile, în prisma recunoașterii și evaluării elementelor

contabile, folosirea provizioanelor la repartizarea cheltuielilor (perioadelor curente și viitoare) în timp și spațiu, precum și organizarea la entitate a contabilității analitice a costurilor și cheltuielilor pe articole aparte.

Cuvinte-cheie: raționamentul profesional contabil, organizarea rațională a contabilității, pragurile de semnificație, politicile contabile, recunoașterea și evaluarea elementelor contabile

Аннотация

Система бухгалтерского учета и проблемы его организации во многом обусловлены ситуацией международной и национальной стандартизации в условиях рыночной экономики. Национальные стандарты бухгалтерского учета предусматривают самые разнообразные методы и приемы признания и оценки таких элементов как активы, собственный капитал, обязательства, доходы, расходы. Поиск наиболее рациональных подходов в организации бухгалтерского учета определяется состоянием учетных политик, содержание которых зависит от профессионального суждения бухгалтера, т.е. от его творческого и научного уровня реализуемых учетных проблем для хозяйствующего субъекта.

В статье автор основное внимание нацеливает на развитие профессионального суждения бухгалтера, как частички интеллектуальной субстанции, которая через призму своего профессионального мастерства, способна решать сложные задачи по организации подготовительных учетных работ, по ведению бухгалтерского учета, составлению финансовой отчетности.

Достаточный уровень совершенства профессионального суждения бухгалтера определяется автором посредством способности разработки и использования первичных документов и регистров синтетического и аналитического учета, установлением порогов существенности при составлении учетных политик, в части признания и оценки элементов бухгалтерского учета, использованием оценочных резервов при повременном распределении расходов (текущего и будущих периодов), а также по организации постатейного аналитического учета затрат и расходов на предприятии.

Ключевые слова: профессиональное суждение бухгалтера, рациональная организация бухгалтерского учета, пороги существенности, учетные политики, признание и оценка элементов бухгалтерского учета

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