

THE ROLE OF THE FINANCE-ACCOUNTANT SYSTEM WITHIN THE OPERATORS' MANAGEMENT PROCESS OF COMMUNITY SERVICES OF PUBLIC UTILITIES

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Abstract:

With this work we show the relevant role of the accountant information originated within the finance – accountant system of the operators of community services of public utilities, within their decisional process, stressing the influence of this information for the managers, with direct outcome on the security of a high level of fulfilment of the services provided to the local communities. Thus, we show the typical features, as well as the peculiarities which vary, mainly, in relation with the organizational aspect, by the conditions and the records needed to be drawn and the provided information, the finance – accountant informational systems of these operators from other informational systems.

Key words: *finance – accountant system, accountant information, operators of public services, informational system.*

JEL classification: *M41*

INTRODUCTION

The finance – accountant system of the operators of the public services needs to be adapted to the requirements peculiar to the nature of the activities they undergo. Thus, the personnel involved within the said system needs to be trained and specialized for answering the requirements related to the security of the finance – accountant informational support of the decisional system. Equally, the informational technical support needs to be adapted to the organization template and the requirements of these operators' finance – accountant system.

The question is what modality of organization is the most financial and qualitative performant from state owned companies, private companies or joint companies, or within the expert division of the mayor or within the expert services under the local or county boards. In order to answer to this question we conducted a study of the financial-accounting systems and structure of romanian utilities operators by analysing their information circuit, investment decision and the influence of financial information upon management process of those operators.

The research methodology is based on observation the specific activities of public utilities operators and to point out the role and position of the financial accountant system in the structure of them. This paper comprise a small case study in order to present the most important financial indicators and we also carried out specific surveys and inquires in order to study the real financial and organizational issues that most of the operators encountered and to present the important role of accountant and financial informations to the decision process regarding the investment projects.

1. LITERATURE REVIEW

There is extensive literature analyzing the management of community services of public utilities, services meant to satisfy the common needs of the population, of the companies or enterprises and the local institutions of the community, needs translated into securing the high quality living environment. These needs are connected to the security of the common means of transportation, of public lighting, of water supply, of sanitation, of heating, and hot water etc. Local governments are responsible for the supply of important public services in cities like those presented above, and policymakers are responsible for their decisions of contracting out or not this public services¹.

There is a need for public sectors to adopt principles and practices of private sectors is concerned with customer-focused approach (or citizen-oriented services), which aims at improving the quality of public services. However, the difference of business culture between public sectors and private service industries makes it difficult to improve service quality in public sectors as follows: lack of urgency for improvement, unstructured management of service quality, disconnection to value creation².

Every society, micro or macro-economically, or when it comes to services operators of public utilities, it can not last lacking the information and accurate reporting systems, the organizations lack the appropriate resources for an adequate management³. The securing and communication of information comprise the existence of a system providing both data collection and processing, and their distribution. The system is (or should be) acting upon the organizational structure of the society where it operates, involving an organized compound of resources needed for achieving the purposes for which it was created. The finance – accountant system represents a sub – system of one body informational system, and the information provided to the managers play a relevant role within the management of the peculiar activities of the field of activity, which in our research is represented by the services of public utilities.

This system provides information to its users via a set of financial situations that needs to be comprehensible and transparent, though four of the five parts are flooded with information as ciphers that could generate difficulties while interpreting them by the users lacking in economic knowledge⁴. The solution to this issue is provided by IFAC via explanatory notes and accountant policies. It is an issue of economic culture, of profound knowledge in applying IFRS, of professional reasoning of the accountant expert in the art of turning ciphers into coherent, simple, relevant explanations, so after the reading of such situations every user may take the best economic decisions. Therefore, it is necessary that the accountant management apply the most appropriate control and reporting managerial techniques of the financial situation, involving activities of analysis, planning, implementation and control of programs intended for

¹ Guardiola Jorge , González-Gómez Francisco, García-Rubio Miguel A. 2010, “Is time really important for research into contracting out public services in cities? Evidence for urban water management in Southern Spain” *Cities - The International Journal of Urban Policy and Planning*, no. 27, p. 369-376

² Pyon Chong Un, Lee Min Jung, Park Sang Chan 2009 “Decision support system for service quality management using customer knowledge in public service organization” *Expert Systems with Applications* No. 36, p. 8227–8238

³ Mateş Dorel, Rusu Marius Claudiu, 2009, „ Accounting reform in public institutions in Romania benefits of accrual accountig”, *Studia Universitatis „Vasile Goldiş” Arad, Series – Economics*), No. 12, pp. 480 – 487.

⁴ Morariu Ana, 2008, “IFRS- global accounting norms characterised by quality”, *Audit Financiar Magazine*, Bucharest no. 3

providing the financial information to the decisional system, in compliance with the IFRS standards¹.

2. THE INFORMATION CIRCUIT WITHIN THE FINANCE-ACCOUNTANT SYSTEM

Before showing the path of the accountant information from the collection, processing and to its final users, we need to specify the fact that in Romania the operators of community services of public utilities, according to the Law no. 51/2006 are established into state owned companies, private companies or joint companies, or within the expert division of the mayor or within the expert services under the local or county boards. Thus, their management may be direct, within the county or local boards, or commissioned by assigning their management via public auction to the trading companies licensed by the ANRSC. For the operators of the community services of public utilities, their interest resides in the accountant information that may be used during the programming and organization process of the activity for the appropriate management of the peculiar activities, as well as the information that could be useful while adopting or not the decisions in relation with the investments in equipment or the distributional network.

One of the parts of the organization and management system of the operators of community services of public utilities consists of its informational circuits, particularly the finance – accountant information circuit. Speaking of the nowadays evolutions of the services activities of public utilities, the market economy development, its increasing complexity degree originated a corresponding development of the economic – finance information. This type of information defines the operators' patrimonial condition, the outcome of the economic – finance activity, the use mode of the material and human resources, both for own needs and for thirds' (shareholders, clients, banks, fiscal bodies, and other natural or legal persons).

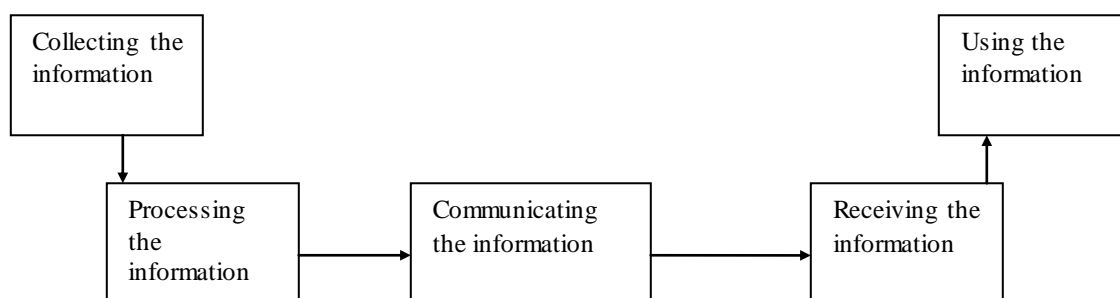


Figure 1. The path of the information from its security and to its usage.

The path of the information from its security and to its usage involves several steps: collection – processing – communication – receiving – usage. Thus, one may say that the totality of methods, techniques and instruments used to collect, record, communicate, circulation, process and usage of the information within a system represents the accountant information system².

¹ Beke Jenő, 2010, „Accounting Management by International Standards”, International Journal of Business and Management (ISI rated), vol. 5, No. 5, pp. 36 – 43.

² Oprean, D., Racovițan, D.M., Oprean, V., 1994, “Accounting and managing informatics”, Eurounion Publishing House, Oradea, p. 49.

The personnel in charge with the management of the finance – accountant system, and implicitly of the accountant information circuit, should know the best the activity of the other divisions of the organization, so that the information secured and distributed to the decisional system answer the latter's requirements as for taking certain decisions with impact on the quality of the services provided to the population and the institutions of a community or region. On this line, the main goal of the finance – accountant system should be to collect and record data and information about events with an economic impact upon the management of the public services¹.

3. THE ROLE OF ACCOUNTANT INFORMATION IN THE INVESTMENT DECISIONS

Generally, information, and mainly the accountant information, knows a constant changing in interest within the current conditions of the economic restlessness. The elaboration of certain adequate decisions, in compliance with reality and contributing to settle the issues occurred within the finance – accountant activity of the company, relies on the quality and quantity of the information provided by the economic informational system. Within bounds of this system, the accountant information plays a substantial role, and thus a series of arguments may be advanced, such as: the great majority of the information communicated within an economy is of accountant origin; it provides the possibility of a fair representation of the economic processes; it comprises the highest level of reliability; it defines the magnitude and the value of the flows originating within the social reproduction process, both micro and macro-economically².

In this field the appropriate quality regulation is very important when we discuss about the licencing process for operators and for monitoring their activity. Without appropriate quality regulation, price regulation (rate-of-return, price-cap, or variants) may give companies unintended and distorted incentives for infrastructure investments and service delivery. For example, a company may oversupply quality if rate-of-return regulation encourages excessive capital investments to improve service quality³.

Every extension or development project basically involves an economic feature. Although, within the field of public utility services the main goal consists of increasing the quality, extension and development, we need to approach the economic and finance profitability issue. Thus, the finance – accountant information holds an essential role in evaluating the method of carrying out the investment projects, as well their final profitability. Equally, securing the repayable or non – repayable financing, namely from the credit institutions or European funds may be achieved by proving the providing of financial information about the operator's solvency and the financial profitability of the project for which the financing is requested. So, the finance – accountant information should consist of data that have been processed in an useful form for the receiver and that have a real value for control, planning or taking the investment decisions.

In case of credit in order to cover the financial needs of the investments, the financial creditors are interested in the information allowing them to determine whether the granted loans and the related interests will be repaid when due. Equally, in case of

¹ Salehi Mahdi (Corresponding author), Rostani Vahab, Mogadam Abdolkarim, 2010, „Usefulness of Accounting Information System in Emerging Economy: Empirical Evidence of Iran”, *International Journal of Economics and Finance* (ISI rated), vol. 2, No. 2, pp. 186 – 195.

² Vătășoiu Cristian Ionel, Gheorghe Mihaela, Motoniș Ion Dumitru, Boca Ileana Sorina (Rakos), 2010 „Accounting information – The basis of financial analysis of the investment decision”, *The Annals of “Constantin Brâncuși” University of Târgu Jiu, Series Economics*, No. 4.

³ Holt Lynne, 2005, “Utility service quality Telecommunications, electricity, water”, *Jurnal of Utilities Policy*, No. 13, p. 189–200, www.elsevier.com/locate/jup

the non – repayable financing sources, it needs to be proved the economic and financial profitability of the project and its part in optimizing the quality of the services provided to the beneficiaries.

The accountant information will provide the needed data to periodically estimate the different milestones of investment projects carrying out, especially as regard to observing the financial and technical criteria, and after its implementation it will be used by the projects management to determine the degree in which the financial and qualitative outcome have been achieved. Fundamentally, the long term managerial decisions in relation with the investments projects (in the infrastructure or equipment) taken by the operators of the community services of public utilities, rely on:

- the methods of investment projects evaluation;
- the classification and the essence of the investment projects;
- the approach and choosing criteria of the investment projects.

Another occurring issue is related to the capital investment, and particularly if it is to bring any profit over the entire operating period of the acquired assets with a certain profitability rate which is compared with the one that would have been secured whether the investment would have been made in monetary instruments, or other means of investment. From this perspective, the recovery period of the investment project is relevant, needed to recover the initial investment expenses from the cash flows originated within/from the carrying out of that project. The recovery period is equal with the ratio between the initially invested amount and the net annual flow of monetary instruments during the recovery period.

For the security of the future competitiveness and development, every operator of the community services of public utilities currently invests monetary instruments to rise profit and increase the quality of the services in the future. Examples of long term investments in assets are: the buildings, the equipment, the land, scientific and experiment – design researches etc. For the managers, the investments represent consumption for the unit generating new encashment (advantages). For this, the manager needs to impose new potential projects, starting with the general balance (value – advantage) and determining the value of every project.

4. THE ECONOMIC-FINANCIAL AND PERFORMANCE INDICATORS THAT ARE THE BASIS OF THE APPRIVAL OF LICENSE OF OPERATING FOR THE COMMUNITARIAN PUBLIC UTILITIES SERVICES

In conformity with the Decision of the government no. 745/2007, the operators of communitarian public utilities services have to accomplish some technical, financial and of performance requests in order to obtain the operation license.

The background of these requests is the processing of the financial-accounting information through some financial and performance indicators¹.

Thus, using the financial statements of juridical persons that request the licence the following financial-economical indicators are calculated: exploitation revenues, results of the exploitation, dues, dues to the consolidated budget, receivables.

Giving as an example Termo-construct S.R.L., this company which tried to increase the price of drinkable water as we have shown before, presented the following situation in conformity with the annex no. 7 from the Government decision 745/2007 in order to receive the license 3rd class for the cleaning service.

¹ Isac C., Voichita L., Gusă A.J. - Coordination of Management Activities - A condition Sine Qua Non of a Performance Management, The Annals of the University of Petrosani - Economics 2009, Part III

No. crt.	Indicator		Value					
			Year					
			2007		2008		2009	
			I	II	I	II	I	II
1.	Revenue from exploitation		102.522	104.354	109.412	112.081	177.073	205.296
2.	Result from exploitation	Profit	12.261	5.696	2.852	6.787	10.859	60.882
		Loss	-----	-----	-----	-----	-----	-----
3.	Dues	Present	17.475	20.010	14.845	17.410	12.320	10.403
		Residual	2.500	1.250	2.540	3.920	-----	-----
4.	Dues to the budget	Present	15.322	14.350	13.750	15.300	8.423	8.777
		Residual	10.500	11.008	8.755	9.238	-----	-----
5.	Receivables	Present	65.400	50.301	48.750	58.506	41.826	49.080
		Residual	6.023	8.100	11.003	14.516	22.814	18.512

Beside this situation, ANRSC will analyse the performance indicators for the service for which the license is requested. We mention that the operator develops activities specific to the cleaning service for which it has an expired license and it is requested its renewal. Thus, we have the following indicators regarding the financial performance of the company, at the date of 31.12.2009 starting with the financial resume of the assets, debts and capital presented bellow:

TOTAL OF CIRCULATED ASSETS:	363.074
Of which:	
1.1 stocks	14.058
1.2 receivables	304.078
1.3 cash and bank	44.938
 TOTAL OF DEBTS :	 390.245
Of which:	
Sums of money that have to be paid for up to an year:	141.919
Sums of money that have to be paid over a year:	248.326
 TOTAL OF CAPITAL:	 518.894
Of which:	
3.1 Subscribed capital paid	239.011
3.2 Reserves from re-evaluation	70.095
3.3 Reserves	21.679
3.4 Reported losses	- 29.372
3.5. Profit	230.413
3.6. Allocation of profit	-12.932

Indicators regarding the financial performance:

No. Crt	DENOMINATION OF THE INDICATOR	CALCULATION FORMULA	Calculation of indicators	31.12.2009
	PRODUCTIVITY RATE			
1.	Rate of the revenue on the employee revenue	Profit of exploitation x 100	266.635 x 100	51,39
		Capital employee	518.894	
2.	Rate of utilization of the assets	Sold production x 100	1.658.143x100	456,70
		Operational assets	363.074	
3.	Rate of profit	Rough profit x 100	266.635x100	16,07
		Turnover	1.658.781	

After analysing these indicators and the accomplishing of the other requests regarding the technical, managerial and economical ability by efficient management of the cleaning service the operating license will be given to the operator.

The purpose of the accounting information in adopting the decisions related to the investment projects that try to improve the quality of the public utilities services and their development in order to increase the number of beneficiaries.

Any project of development has at its base an economical dimension. Although in the field of public utilities services it is tried to accomplish the objective of increasing of the quality and the development, there is the problem of economical and financial profit. Thus, the financial-accounting information has an essential role in quantifying the method of accomplishment of the investment projects and the final profit of them.

Also, the obtaining of the reimbursable or non reimbursable finance respectively from the credit institutions or European funds is accomplished by providing the financial information of solvability of the operator and of financial profit of the project that need financing.

The financial-accounting information has to be made of data that have been processed in a useful form for the receiver and which have a real value for control, planning or decision making in investments.

In the case of requesting the credits in order to cover the needs of financing the investments, the financial creditors are interested in the information that allow them to determine that the loans and the interests will be reimbursed at the time limit. Also, in the case of non-reimbursable sources of financing the economical and financial profit of the project and its contribution to the improvement of the quality of the services accomplished for the beneficiaries has to be proved.

CONCLUSIONS

The most important result of this paper is to emphasize the essential role hold by finance – accountant information in evaluating the method of carrying out the investment projects, as well their financial performance.

The finance – accountant informational system facilitates the optimization of the effectiveness and efficacy of the organization, thus securing a competitive advantage. The manager's actions are orientated in four distinct directions to achieve performance: profitability, competitiveness, efficiency, and flexibility. Essentially, the main goal of the managerial performance consists of securing the performance so that the operators of services as a whole adapt to the new conditions assessed by the explosive development of the information production, communication, and receipt in order to be used with maximal efficiency.

We can reach the conclusion that manager's decisions of the operators of the community services of public utilities are influenced by the needs of the population, the economic operators and the institutions of a community. Thus, the services of public utilities are formed according to these needs, a circumstance involving investments in the infrastructure of the services operators, as well as an efficient type of management incumbent upon integrated quality and environment standards. These standards involve the implementation of an integrated management system, essentially based on the information provided by the finance – accountant informational system. This system plays a major role as regard to the future investments, which are intended to optimize the quality of the services of public utilities.

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