

THE ROLE OF ACCOUNTING EDUCATION AND PRACTICE FOR ABETTER ECONOMIC AND SOCIAL DEVELOPMENT WITH IN THE EUROPEAN UNION

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Abstract:

In the context of a more and more globalised market and baring the marks of the past financial and economic crisis the need for capital is of most importance. It is obvious the importance of accounting in these last decade, according to some voices to the downfall of the economy, but mostly for the rise and suitability of the global economy.

A good accounting education can be the key to successful allocation of resources within a economic entity. A poor, or no accounting training leads to inefficient resource allocation, increasing the risk and cost bearded by the investors. Accounting has the important role of reviving the economy, trough supporting global markets and attracting and retaining capital within companies.

Key words: Accounting education, IFRS financial statements, ESM, SME

JEL classification: M41, O10

Introduction

The European Union is facing major economic, political and social transformations which are starting to be implemented in all the countries composing the European Union. A major example of this transformation represents the ESM (European Stability Mechanism) the continuer of the European Financial Stability Facility which initiated as a sustainable and effective protection (esm.europa.eu) in order to secure a better economic and social stability using means such as sustainable intelligent economy. The impact in some of the European countries of this mechanism will confer a major backup and a way to deal with fiscal and economic disequilibrium.

In the context of a more and more globalised market and baring the marks of the past financial and economic crisis the need for capital is of most importance. We have seen in the last decade that excessive indebtedness makes room for major disequilibrium and vulnerability regarding the market. In these last year's more and more accounting practitioners try to point out that the key to a more successful and low risk business depends on your own capital. We have seen this hypotheses put in practice with the case of banks, trough Basel III program.

It is obvious the importance of accounting in these last decade, according to some voices to the downfall of the economy, but mostly for the rise and suitability of the global economy. Often seen as the Cinderella of the economic sciences, accounting is keeping track of this ever-changing global environment trough the implementation in more than one hundred countries of IFRS (International Financial Reporting Standard). These international standards but mostly accounting in general has the important role of reviving the economy from its own ash, again like Cinderella, trough supporting global markets

and attracting and retaining capital within companies. The managers, investors and creditors must have a good accounting education in order to make decisions based on information, regarding their own companies or the companies they want to invest in or credit, and the majority of that information comes from financial statements. In order to make good, responsible and durable decisions financial information supplied by accountants through financial statements must be robust, transparent, comparable and in most cases user friendly. We can conclude that a good accounting education can be the key to successful allocation of resources within a economic entity. A poor, or no accounting training leads to inefficient resource allocation, increasing the risk and cost beared by the investors.

Materials and methods

We aim for a fundamental positive and constructive research to further deepening the researched area, using empirical and statistic models. The topic of our research paper certainly is on the path of the current economic research priorities.

The methodology used consists of non-participating scientific observation, discrete research method (content analysis, analysis of existing statistic databases and compared and historical research), the inductive method (induction), economic analysis method, dynamic neoclassical model for evaluating financial statements, economic synthesis method, historical method, statistical method (we took into account the current methods used, the current trends) , sociological methods.

Methodological process used in this research paper involved systematizing existing data in the databases studied identification of new data and update the already held, developing new lines of research on the topic of accounting education.

Results and discussions

If we look at the figures before the economic and financial crisis of 2008, which for some was the worst crises the economy has faced since the 1930s great depression, we can see that business was blooming and world trade increased with double the size of the rise of economic activity. In a period of economic relax and economic development accounting must keep count of efficient allocation of resources but in our days there is a lot going on and accounting scientists and practices must balance with efficient allocation of resources, creativity, compliance to international standards, more user friendly, transparent financial statements, and in some cases avoidance of extra fiscal burden.

The sum of all the elements mentioned above underlines the importance of accounting education. This approach is urgently needed especially within small and medium sized enterprises not only because of their large representative number in the economy of every European Union member state country but also because they contribute with a high percentage to percent of the GDP.

According to the Annual report on European SME's 2013/2014 (A partial and fragile recovery) of the European Commission, all around the 28 member state countries 21.6 million small and medium sized enterprises in non financial sector employed 88.8 million people and generated 3,670 trillion euro in value added. In other words 99 out of

every 100 businesses are SME's as well as there are 2 out of 3 employs and around 60 cents in every euro of value added.

Pointing out the obvious, SME's are a important part of the economy but they face the most problems and are the most sensitive to changes in the ever-changing global economic environment.

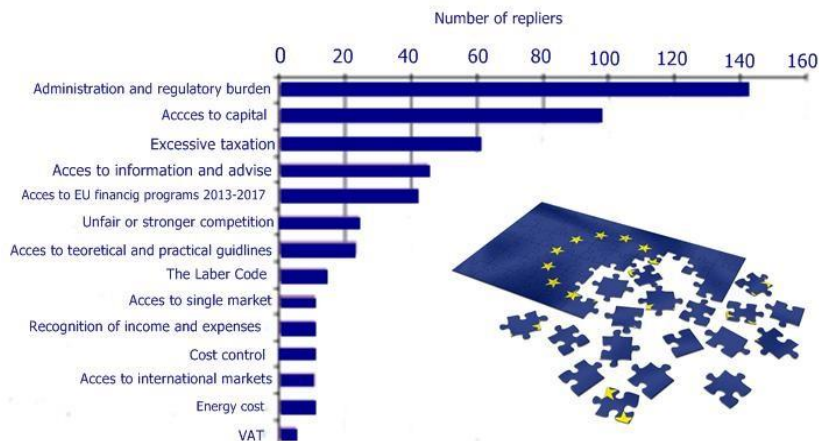


Fig. 1: Problems firms across European Union are facing

Source: processed data from Eurostat

All dough 67 per cent of all business in Europe is represented by Small and Medium economic entities a large percentage of the managers making decision every day within these companies lack accounting skills or have no accounting education and rely on other persons or specialized companies to carry out the accountancy duties. Some of managers of micro or small companies do not have any economic training or background at all reeling only on their own perception and feelings about the economy and the market in which they operate.

Accounting education represents a key to a successful business managing process because it gives you the tools needed to face the changes layer ahead. We concentrated our attention on small and medium sized enterprises because in the last decade big national or multinational companies have outsourced their accounting activities to specialized companies within the Big Four or other specialized company, or they have a well prepared department already with great accounting and fiscal knowledge. We have to keep in mind that big economic entities have to prepare consolidated financial statements which are in accordance to international financial reporting standards (IFRS) so in these type of companies the education in accounting refers complying IAS/IFRS standards to US GAAP if the company is multinational and the financial reporting is made differently or preparing the financial statements keeping into account IFRS, European stability mechanism (ESM) Basel III and other programs.

In small economic entities accounting education and practice refers to balancing with incomes and expenses managing VAT the majority of the accounting information been fiscal oriented because the capital comes especially directly from the owners so the transparency and robustness of the financial statements that IFRS for SME proposes is

not reachable to many managers especially to those of micro and small firms. Implementing IFRS within SME's implicates costs, costs that many micro or small firms cannot afford. Another problem that firms have when it comes to accounting education is the lack of information available to them. Most literature available on the market is rigid and it requires some economic skills to comprehend, especially the double entry bookkeeping. It is a difficult process to digest especial at the beginning and most of the personnel related to accounting tasks find it hard to balance the incomes and expenses, the assets and the liability all in the same time with the fiscal pressure in the back.

The difference between collection of revenue and the payment of debts or payment of the VAT is another problem accounting education could solve trough a better management and allocation of resources.

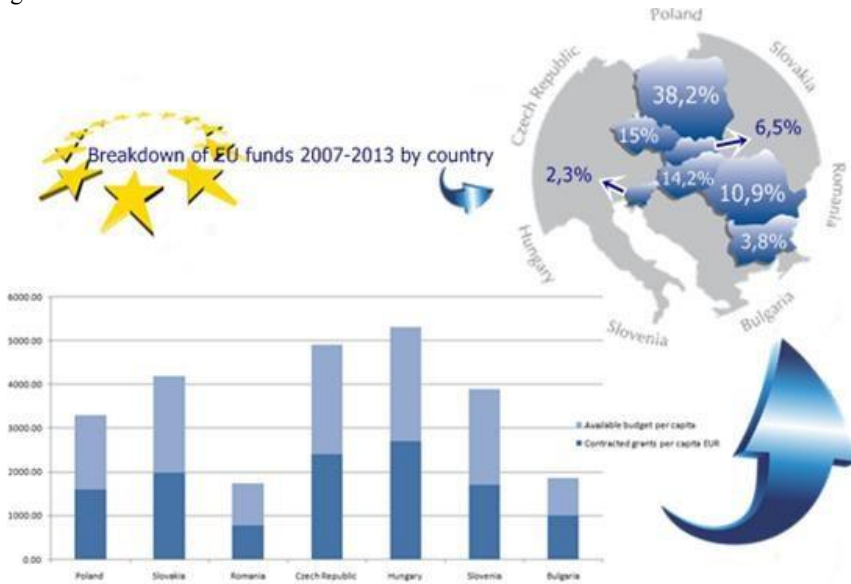


Fig. 2: European funds attracted in 2007-2013 period

Source: processed data from Eurostat

Another major problem we submit to attention is the importance of accounting education and practice regarding the attraction and allocation of European financing or funding. This problem is of most importance in East European countries where do to a lack of accounting knowledge created a series of problems for the entrepreneurs which attracted and European financing. Starting from exchange rates differences accounted to problems with the preparation of financial statements bookkeeping amortization and many more.

The lack of accounting education can be seen best if we focus our attention to the entrepreneurs attracting financing in agriculture. Here the problems with managing small European funds where at their peak manly because the farmers attracting funds up to 10.000 euro lack economic education not to mention practice. In the reported period 2007

– 2013 more than 10 percent of the applicants renounced the financing accusing accounting difficulties.

Even if they could choose between single entry bookkeeping and double-entry accounting they still faced a lot of problems and the majority paid a specialized practitioner or an accountant to keep the registers.

Conclusions

Accounting education and practice represents an indispensable tool in this everchanging economic environment. Accounting plays a very important role in determining accurate transparent and robust information. Accounting education helps to combat corruption and fraud with in the context of monetary, banking, and fiscal union is of most importance. A good economic, and most important accounting education, can lead entrepreneurs to realize their advantages with within European Union but in a more regional market can make the difference for small businesses. The advantages such traditional crafting, regional history and know-how translated into accounting as intangible assets is still unexploited do to the lack of practical and theoretical experience in accounting. In the end the more people share information, communicate their ideas and educate each other the more prepared European Union will be for a better sustainable development.

Acknowledgements

This work was co financed from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/142115 „Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”

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