

Study Concerning the Measure of Using Accounting, Economical and Administrative Evaluation in Practice

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Abstract

Through genesis, accounting has appeared from the necessity of knowing and managing patrimonial elements of the entities and for this purpose, many methods and techniques have been developing. Such a method of ensuring real information about patrimonial elements is evaluation.

Evaluations, respectively evaluation results, have always had the capacity of significantly influence the decisions taken based on the provided information. Therefore, the evaluators must theoretically and practically know the diverse kinds of evaluation, the main notions used in evaluation, the moments when the evaluation is requested, the extremely diversified gamut of evaluation methods and last but not least they have to keep up with the more frequently legislative changes.

Starting from the purpose for which the evaluation is requested, this can be accounting evaluation, administrative evaluation and respectively economical – financial evaluation. The purpose of accounting evaluation is to elaborate financial reports, and administrative, economical and financial evaluations have the purpose of determining the market value for different reasons.

Key words: accounting evaluation, economical evaluation, administrative evaluation, decisional process

J.E.L. Classification: M40, M41

1. Introduction

In accounting practice and theory, a real informing is realized only when the patrimonial elements are presented at their fair value through the instrument of evaluation. This information are used in the decisional process by different categories of users.

Evaluation is a form of quantification through which the accounting method determines in natural expression the elements of fortune and expresses this size with the help of currency. In this way, through evaluation, all assets, debts and own capitals are homogenized, are expressed by the same gauge and they can be centralized. (Todea, 2009, p.114). Concerning reevaluation, this means evaluating again, regularly it means updating a preexistent value. (Todea, 2004, p.4).

The traditional way of evaluation is an amalgamation between the prudence principle and historic cost and the process of globalization and harmonization concerning evaluation has as coordinate the concept of fair value.

Also for offering useful information to different categories of users, when making an evaluation, one must take into consideration the purpose for why it is made, therefore for making financial statements one applies to accounting evaluation, and for determining the market value for different reasons such as selling, fusion, taxing it is applied to administrative and economical – financial evaluation.

Conceived and structured on a complex matter, this scientific research is considering to present the measure of using the accounting, economical – financial and administrative evaluation in practice.

2. Methodology

The purpose of this scientific research is to present both theoretically and practically aspects concerning accounting, administrative and economical – financial evaluation, as well as the measure of practically using every type of evaluation. The methodology I have used in making this scientific research is based on a theoretical study of the concepts and regulations in this domain, accompanied by an empirical research through which I pointed out peculiar aspects concerning the approached subject. I have applied to studying papers from financial accounting domain elaborated by specialists and theoreticians in this domain, to studying the Evaluation Standards, to analyzing the regulation in the domain, thus being a qualitative, explanatory research and also, for establishing the measure of practically using each type of evaluation, I have applied to a research based on statistical survey through questioning.

3. Aspects Concerning Accounting, Economical and Administrative Evaluation

The measuring of an entity's position and performance is realized by evaluation and analysis, representing the starting point for the diverse categories of users when taking a decision.

Evaluation is of great interest for the economical environment due to the fact that a great deal of operations and transactions cannot be made without a proper evaluation, because otherwise, the decisions don't have a fundament. Among these transactions and operation we recall: placing the shares in the financial market, calculus of different taxes and fees, entity's selling, fusion – dividing operations, making financial reports.

For making financial reports, a financial evaluation is required, as it is provided in accounting norms and standard, taking into consideration the specific peculiarities of each asset and passive asset. These peculiarities may refer to evaluation basis, the values to which certain patrimonial elements may be evaluates and respectively, the methods of evaluation through which certain elements may be evaluated.

Entity's evaluation as a whole is different than the evaluation of balance sheet elements taken separately. The phenomenon of globalization, respectively harmonization had a significant influence on the increase of complexity of the entities' economical – financial activities, of the situations the entities have to deal with. As a result, different techniques, methods and procedures have been developed, which respect the main accounting principles and through which the entities may provide real and complete information to the different categories of users in order to make good decisions. A part of these methods and techniques are specific for economical – financial evaluation.

The phenomenon which triggered the entities' economical – financial evaluation was the merchants' desire to know the size of their wealth or to know which parts of their properties were sold, donated, inherited expropriate or were subjected to taxation. (Cabariu, 2002, p.13)

Economical – financial evaluation has the purpose to individualize the goods, the assets or the entity in rapport to the market. (Todea, 2004, p.7) It represent a complex of techniques, procedures and methods based on multi disciplinary through an asset or an entity as a whole, are brought from the value point of view, to the level of the market and through which is ensured comparison with the market value. (Deaconu, 2002, p.7)

Economical and financial evaluations are the only evaluations based on expertise and diagnosis and which have as a final purpose the determining of market value taking into account the actual condition of goods usage, and the actual conditions of organization and functioning of the entities. (Toma, 2009, p.23)

One of the main users of financial information is the state, which in some cases has different interests than the one of managers, shareholders, and respectively associates. Therefore, if the state wishes to obtain as much income as possible from taxes and fees, the managers, shareholders, and respectively the associates wish to diminish the amount of money which they are to pay to the state, seeking for diverse legal methods such as the ones of creative accounting.

In order to eliminate such aspects, the state applies to administrative evaluation. Administrative evaluation is the one provided through diverse normative documents. As no normative document can provide methods for dimensioning the impact in the administration of each entity, for prices

modifications, ratio of exchange of national currency and management policies, administrative evaluation can only by chance and only from the moment when the normative document has been made, approach the market value of some goods, but never of the one of an entity. (Toma, 2009, p.23)

Normative papers may be enforced by public or local authorities such as ministries, city halls, privatization agencies, fiscal regulations. In this way, the evaluator has to respect first the applicable regulation. There will be situations where might appear diversions from Evaluation Standards, diversions which will not be a breaking of the standards, with the condition that they are reasonable, to respect the ethical principles, and competence limits, and in the evaluation report, there should be included a rational motivation for this diversion. (Anghel et al., 2010, p.20)

Concerning time universe, the data used in the administrative evaluation, are about the past not the future, administrative evaluation being based on a deep analysis of the evaluated property or of its economical perspectives, and the used evaluation methods are the simplest from the totality of the existent methods, consisted of calculations based exclusively on accounting data, on taxpayer's declarations, or on the previous currency at which the entity's share transactions took place.

A comparison between accounting, administrative, economical and financial evaluation points out the fact that the method is the same, but the purpose is different. Therefore, even though accounting evaluation is made at fair value, and administrative, economical and financial ones are made at market value, as method they are the same because concerning the definition of fair value and of market value it is relatively the same: "Fair value is the sum for which an asset may be willingly exchanged, between two interested parts, which are totally conscious, in a transaction in which the price is objectively determined." (Anghel et al. 2010, p.63) and "Market value represents the estimated sum for which a property could be exchanged at the date of evaluation, between a determined seller and a determined buyer, in an equilibrate transaction after an adequate marketing, in which each part acts fully conscious, prudently and without restraints". (Champness, 1997, p.18)

In order to better understand the definition of market value, but also of fair value, we further present some terms we used: estimated sum / sum – is the payable price in a free transaction, evaluation date – imposes that the evaluated market value is specific to a precise date, determined buyer to purchase – refers to a motivated, but not forced buyer, Seller determined to sell – shows also that the seller is not forced to sell, neither rushed to close the transaction, but is not disposed to wait until he / she gets the price he considers reasonable, interested parts being fully conscious – represent the seller and the buyer in a free transaction – means a transaction closed between parts between there is no peculiar and special relationship which may influence the price, after an adequate marketing – signifies the fact that the asset will be provided on the market in the most appropriate way for getting the best price, where each part acted fully conscious and prudent – the two parts are informed on the business' nature and characteristics and without constraint – each part is motivated to close the transaction, but neither is forced or rushed to do this thing. (Păvăloaia, 2006, p.13)

4. Quantitative Study Concerning Practically Using the Three Types of Evaluation for Taking Different Decisions

In the period December 2016 – January 2017, a survey of 210 people, 30 for each region in the country was sent towards accounting experts, evaluation experts, managers, personnel from the economical – financial department, having the purpose to observe the way in which the evaluation results influence the decisions taken by diverse categories of users.

The questionnaire includes closed comprehensible questions and for the default answers I have used Likert Scale through which it is established to what extent the respondents agree or not with the affirmation within the questionnaire. Subsequently, I used 5 response values, where number 1 is "Very much", number 2 is "Much", number 3 is "Neutral", number 4 is "Less" and number 5 is "At all".

The analysis of the first part of the questionnaire which is consisted of respondents' identification questions shows that 67% of the respondents are accounting experts, 21% are people who are working in the financial accounting department, 8% of the respondents are evaluation

experts, respectively 4% are managers. From the point of view of the experience in the field, the respondents to this questionnaire have mentioned that 75% of them work over 10 years in this domain, 17% of them have an over 5 years experience and 8% less than 5 years.

Depending on the region where the county belongs, respondents have mentioned that 42% of them work in the Centre Region, 17% in the North – Western Region, 17% in the South – Eastern Region, 8% in the North – Eastern Region, 8% in the Western Region, 4% in the South – Eastern and 4% in the Southern one.

The respondents of this Questionnaire mentioned that 54% of them work within a microenterprise, 25% within a big entity, 13% within a middle one, respectively 8% within a small one.

Response rate was 34,28% meaning 72 respondent people.

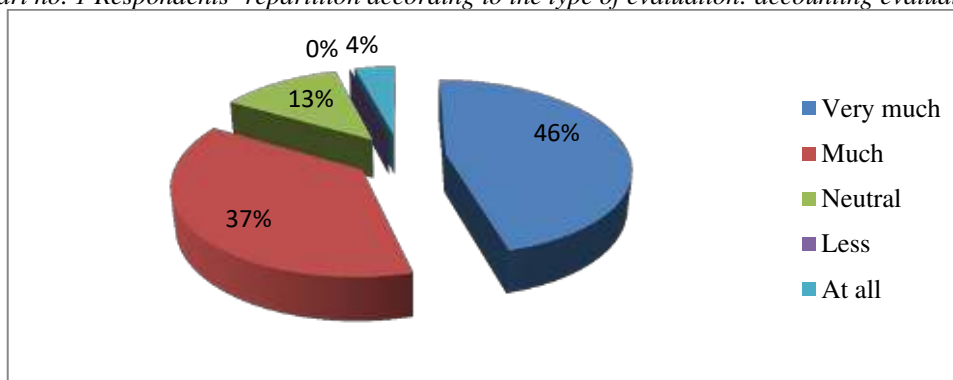
The second part of the questionnaire comprises a number of 19 questions, which have the role to lead or not to lead to the validation of the proposed hypothesis. Among these questions the one referring to the most common type of evaluation may be found.

Question: *In your activity, how much do you use the following types of evaluation: accounting evaluation, administrative evaluation, economical – financial evaluation, juridical evaluation, evaluation for other purposes?*

a) Accounting evaluation

The respondents of this questionnaire have mentioned that 46% of them use very much the accounting evaluation, 37% use accounting evaluation more, and 4% of them do not use at all accounting evaluation. 13% of them prefer not to express their opinion to what extent they use accounting evaluation in their work.

Chart no. 1 Respondents' repartition according to the type of evaluation: accounting evaluation

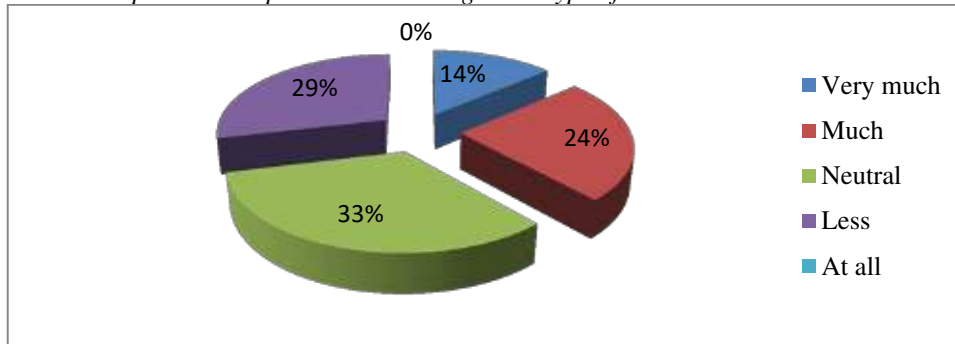


Source: Own processing

b) Administrative evaluation

The respondents to this questionnaire have mentioned that 24% of them use very much the administrative evaluation, 29% use less administrative evaluation, and 14% do not use administrative evaluation. 33% prefer not to express their opinion concerning to what extent they use administrative evaluation in their work.

Chart no. 2 Respondents' repartition according to the type of evaluation: administrative evaluation

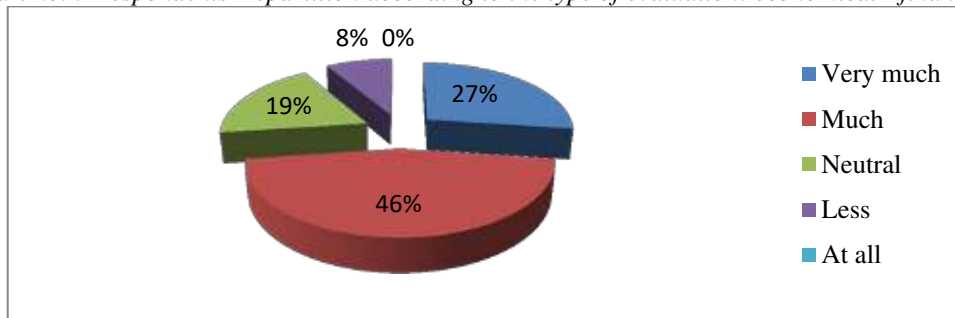


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c) Economical – financial evaluation

The respondents to this questionnaire have mentioned that 27% of them use very much economical – financial evaluation, 46% use much economical – financial evaluation, and 8% use less this type of evaluation. 19% prefer not to express their opinion concerning to what extent they use economical - financial evaluation in their work.

Chart no. 3 Respondents' repartition according to the type of evaluation: economical - financial evaluation



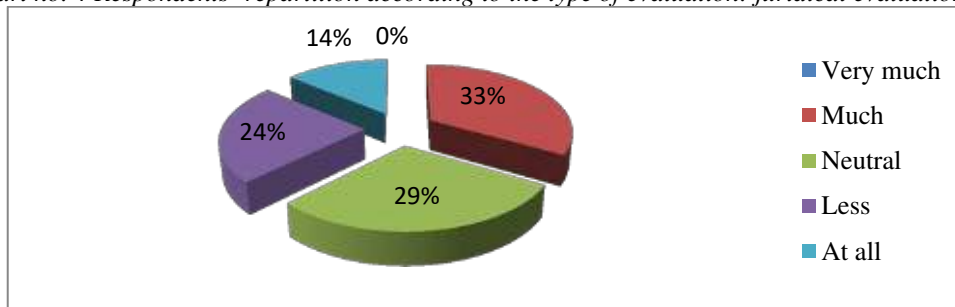
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d) Juridical evaluation

The respondents to this questionnaire have mentioned that 33% of them use juridical evaluation much, 24% use less this type of evaluation, 29% prefer not to express their opinion concerning to what extent they use juridical evaluation in their work.

The fact that 14% of them do not use at all the juridical evaluation in their work, is worth mentioning.

Chart no. 4 Respondents' repartition according to the type of evaluation: juridical evaluation



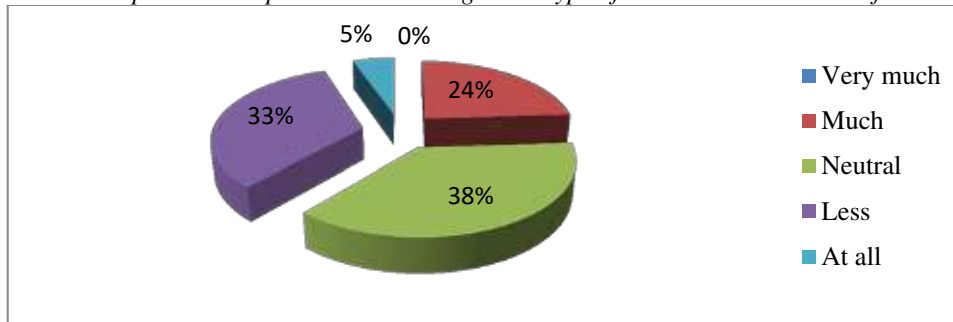
Source: Own processing

e) Evaluation for other purposes

The respondent to this questionnaire have mentioned that 24% of them use very much the juridical evaluation, 33% use less this type of evaluation. 38% prefer not to express their opinion concerning to what extent they use juridical evaluation in their work.

The fact that 5% of them do not use at all the juridical evaluation in their work must be mentioned.

Chart no. 4 Respondents' repartition according to the type of evaluation: evaluation for other purposes



Source: Own processing

Practically, the evaluations are requested by the beneficiaries of the evaluation results for different reasons and purposes. Based on the answers received to this question, one can say that the evaluation beneficiaries request the most the accounting evaluation, then, economical – financial evaluation, followed by the juridical evaluation. Evaluations for different purposes and the administrative one are the least requested.

The extent to which a certain type of evaluation is requested more or less is also due to effectual regulations.

As a result, in conducting the evaluation process, an evaluator must take into account the client's expectations, so that his option in choosing the type of evaluation has to be adapted to the environment, to the objective, respectively to the necessity of the client who requested the service.

5. Conclusions

Information is the key to substantiating decisions, and different categories of users of the information provided by the entities may beneficiate of real information only when they respect the effectual regulations, the accounting principles, when they realise an adequate evaluation and use the same accounting policies over time.

According to the purpose for which the evaluation is made, this can be accounting evaluation, for making the accounting reports, Economical – financial evaluation, respectively administrative evaluation for establishing the market value of different grounds such as selling, fusion, taxation. No matter the purpose for which the evaluation is applied to, the method of evaluation is the same. Economical realities show us that presently, the most requested type of evaluation is accounting evaluation followed by the economical – financial one, respectively by the administrative one.

Following each type of evaluation, it result information which reflect the real image of the entity, so that each evaluation requester, respectively user of evaluation result information benefits of the information he / she needs in order to substantiate his / her decisions.

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