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TABLE OF CONTENTS

MODERN APPROACHES OF HIGHER EDUCATION MANAGEMENT

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Abstract. European statistics on higher education place Romania among last places of all the countries that entered Bologna Process. The present paper presents the results of a study concerning the identification of causes that lead to the fact that Romanian higher education is mistrusted evinced a lot of deficiencies in the organization and functioning of work process within the universities. Although the study was more complex, here we present just the results which concern on the teaching – learning – evaluation process along with some proposals for rising the efficiency of it, sustaining the necessity of managerial competence rather than pedagogic of those who conduct educational processes at different levels, including the implementation of managerial principles in the activity of teachers that is so useful in actual development of educational activities with a group or class of students.

Keywords: management, education, competence

According to present social – economic development environment, the quality situation in higher education becomes more and more obvious while universities are involved in competition on education services market. This fact has been acknowledged at the European level by start of Bologna Process that certifies the accord of signed countries to meet common effort to reestablish higher education and research on new bases generated by knowledgeable society.

Romania has adhered to Bologna Process since its beginning in 1999. However, even though some achievements cannot be denied, European statistics on higher education place Romania among last places of all the countries that entered this process. Statistics and national opinions are added to these, concerning higher education graduates accession on labor market that sustain the fact that Romanian higher education is not so proficient in the context of requirements of knowledgeable society principles and of pragmatic requirements of European Union.

Our study concerning the identification of causes that lead to the fact that Romanian higher education is mistrusted evinced a lot of deficiencies in the organization and functioning of work process within the universities. The present work is concerning on the teaching – learning – evaluation activity and the manner of its development and organization influences in a significant manner the level of social, economic and teaching efficiency that the educational managers reach.

The research study on teaching – learning – evaluation process developed in Romanian universities demonstrates that the main requirements that affect teachers and students work are the following:

- Time allocation;
- Setting of objectives;
- Evaluation activity.

In this paper, they have been approached from managerial and not didactic perspective, starting from the assimilation of teaching – learning – evaluation process to any other work process and in respect of its particularities.

I. Time allocation in the Romanian universities

Time is a fundamental resource for any human action and consequently for the activities developed in higher education institutions. However, just as with other economic activities, the observation that unlimited period of time that a working person has (student in this case) is not a sufficient condition to fulfill work tasks (in this case learning according to set objectives), other conditions being required as well; yet, lack of sufficient time to fulfill a task may annul benefic effects of other conditions created with the purpose to support work task fulfillment.

Relevant studies in this field demonstrate that allocation of insufficient time for learning for expected results may generate for the student, especially for the one that has to learn, anxiety mood, stress, weakness feelings that may induce study abandon, plain memorizing instead of fully understanding of concepts to be apprehended, exam pass may become the only goal of learning. Consequently, students may try to overcome the problem of lack of time by turning to methods that may push them away from a complete study. Thus, they may not properly comprehend the knowledge they were taught in the university and also their ability to think logically may be affected. All these facts lead to less trained graduates and professionally unsatisfied teachers that see their students fail to obtain the desired results. On macro level, this situation may lead to formal integration of higher education system into European requirements, and it shall maintain the image of mistrusted system that is not capable of having cooperation relationships with top universities in Europe. More than the image issue, the most serious consequence of wrong allocation of time to study is the transformation of superficial study practice into permanent habits of study. As long as "permanent education" is a set objective of European educational systems, to avoid the danger of permanent superficial study is a duty for any educational manager.

The problem of correspondence between time allocated to study and the expected results is not scientifically approached in Romanian universities. Setting of necessary time to study have to be done in realistic manner, so that any average student (it has been established that within student institution, approximately 70 % are of medium level, 15% are very good and 15% are weak) may reach the set objectives of learning. Although time necessary to study is influenced by a series of factors such as the level of motivation and students skills, the degree of difficulty of study concepts, some international statistics provide certain average values of time amount that different methods of studying require. Thus, every method implies individual study that is essential to profound learning. These statistic data may be reference elements to Romanian higher education system. [1]

II. Setting of objectives in the Romanian universities

Highly connected to the allocation of time for study is the issue of setting and expression of learning objectives. Just as in any other social – economic activity process, the setting of objectives for teaching – learning process is important for its efficiency. The objectives, together with rewards and incentives have a powerful effect over behavior and actions of both students and teachers. Out of data made public by universities the conclusion is drawn that most of the time, the way of setting the objectives is unclear, confuse and meaningless. Implementation of the system of setting the objectives according to presented requirements and of the system of necessary time determination is an activity that takes time and yet, it is a project within the socio – economic organizations and, therefore, the managerial methodology to apply to this purpose is the one specific for *project management* that implies the existence of project manager and project team. As regards the stages of project development, they may be the following:

1. Measuring the capability coefficient of the faculty

It is specific to any faculty and it should be determined with the purpose of resources identification (material and human) that the faculty has got to sustain the teaching – learning process. Also, this is useful to establish the average level of the student of that faculty. Calculation of the coefficient is also useful to make the objectives real. [2] The following indicators shall be used:

Table 1. Calculus indicators for the capability coefficient of the faculty

Indicator	Calculation	Value	Score	Importance coefficient
Student selectivity in the entrance exam (I_1)	No. of candidate students / No. of enlisted students	> 4	4	25%
		3 – 3,99	3	
		2 – 2,99	2	
		1,5 – 1, 99	1	
		< 1,5	0	
Entrance exam average score / High school graduation exam / Previous years average (I_2)	∑ score / Total no. of students	> 9	4	25%
		8 - 9	3	
		7 - 8	2	
		6 - 7	1	
		< 6	0	
No. of students / Teacher (I_3)	No. of students / Teacher	17 – 19	4	20%
		19,1 – 21	3	
		21,1 – 23	2	
		23, 1 – 25	1	
		> 25	0	
No. of students / internet computer (I_4)	No. of students / No. of computers	< 7	4	5%
		7,1 – 10	3	
		10, 1 – 13	2	
		13,1 – 16	1	
		> 16	0	
Existence of didactic spaces according to specific field (I_4)	Qualitative appreciation concerning the surface, nature and ambiance of spaces	The following terms shall be used: very good, good, satisfactory, bad	4 – very good 0 – bad	5 %
Providing libraries with books and magazines necessary to didactic activities (I_6)	Qualitative appreciation as concerns the book, diversity, modernity	The following terms shall be used: very good, good, satisfactory, bad	4 – very good 0 –bad	20%

Capability coefficient (C_C) = 0,25 I_1 + 0,25 I_2 + 0,20 I_3 + 0,05 I_4 + 0,20 I_6

$0 \leq C_C \leq 4$, and it may be divided into three levels of significance:

1. $0 \leq C_C \leq 2$
2. $2,1 \leq C_C \leq 3$

3. $3,1 \leq C_C \leq 4$

2. Setting the objectives

Starting from final objectives of specialization, every teacher is to establish the objectives of its own teaching subject. This stage requires a meeting of all those who teach in the faculty, and according to managerial methods such as brainstorming or Philips 66, shall agree on the objectives of the disciplines so that they form a coherent frame. At the same time, we consider necessary that for every study objective the teacher needs to express the competence levels according to the following logic:

- Performance level P_1 – represents what the student **has to know**, a minimum amount of knowledge that any graduate shall have;
- Performance level P_2 – represents what the student **should know**;
- Performance level P_3 - represents what is **remarkable** for the student **to know**.

Thus it is created a matrix of competence / study objectives that may be used as instrument of formalized expression of objectives.

Table 2. Matrix competence / study objectives

	Theoretic knowledge	Knowledge in practice	Nature of the concepts the student may express	Communication ability	Learning ability
P_1					
P_2					
P_3					

These competence levels shall be established in an absolute manner by teachers taking into consideration the existing standards at the national and European level without adapting them for a category of students.

3. Resource distribution by teachers according to competence levels and study objectives

Every teacher shall set the teaching – learning methods that are needed for the objectives and competence levels as well as the time required for direct meeting between student and teacher and for individual study also. At this stage teacher' resources (time, attitude, didactic material etc.) shall be distributed differently according to capability coefficient. An example in this respect may be such as:

The case: $0 \leq C_C \leq 2$: 80% of resources shall be allocated on the P_1 level, 15% to the P_2 level, 5 % to the P_3 level.

The case: $2,1 \leq C_C \leq 3$: 60% of resources shall be allocated on the P_1 level, 25% to the P_2 level, 15 % to the P_3 level.

The case: $3,1 \leq C_C \leq 4$: 40% of resources shall be allocated on the P_1 level, 35% to the P_2 level, 25 % to the P_3 level.

4. Adjusting theoretic determinations according to actual situation

This requires, on one side, confrontation with time allocated by the other colleagues so that, per total it shall not overcome the established time by law that a student may allocate to studying that is 1,500 hours/year; and on the other side, there has to be set a manner in which students accept and comprehend the time allocated by the teachers. [4]

5. Conversion of necessary amount of time in ECTS

Since the problem of time allocated to study is approached at the European level by means of study credits distribution, all these determinations shall be transformed in European common terms. Thus, each study shall be allocated a number of study credits.

III. Evaluation activity in the Romanian universities

Rigorous organization of evaluation activity, which is connected to that of study objectives setting, represents the basic condition of an efficient teaching – learning process with all the advantages that come out of this. Thus, the studying individual defines what is important to him within the entire teaching – learning process, by means of the elements that shall be evaluated with. So, for a student course study objectives are not those previously set by the teacher (they shall only have the role to appeal to the student to a certain study subject) but he shall express his objectives by what he has to know in order to pass the exam. Comparing the above with the work in any other organization, student evaluation is equivalent to worker's wages and just as the worker shall work for what he is paid to do and not for the set objectives, the same shall the student study those things he is evaluated for. In other words, teachers and students have an opposite perspective on relationships that form within teaching – learning – evaluation process. Thus, in a way similar to managerial practice, unless there is a close relationship among foreknowledge – achievement – finalization between the objectives and student evaluation, then we can reach efficiency in educational management.

The results of this study in Romanian universities evinced a trend to use rapid forms of evaluation (quiz test or written examination) against forms of evaluation that allow the student to express freely, creatively such as oral examination or practical work evaluation. Also, in the absence of various methods of evaluation, this activity is not a regular one, but focuses mainly during evaluation period, that determines the student use the "leap" study. Such organization of evaluation cannot reach the efficiency of the study process, making it difficult for students and teachers work.

Studying specialized writings, we have elaborated, in the shape of matrix, the existing correspondence between the objectives that have be followed in the teaching – learning – processes and the possibility of their verification that one of the most used method of student evaluation provide. [3]

Table 3. Matrix of the examination forms – evaluated objectives

	Theoretic knowledge	Knowledge use	Applic.	Analysis	Synthesis	Evaluation	Communication
Oral exam							
Written exam							
Paper work							
Quiz test							
Case study							
Public presentation of work							
Project work							

This study goal is to bring into attention of those interested a reality that many of European countries have already understood, that is the necessity of managerial competence rather than pedagogic of those who conduct educational processes at different levels, including the implementation of managerial principles in the activity of teachers that is so useful in actual development of educational activities with a group or class of students.

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BRAND TYPOLOGY - A SOLUTION IN CONSTITUTING THE OPTIMUM ASSORTMENT OF A RETAILER

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Abstract: Our paper aims to offer a solution for the choice of the reference of an assortment in the case of a retailer. The first part of the paper analyzes a few aspects regarding competition and segmentation intending to high-lighten the conditions imposed to a retailer when trying to set up an optimum assortment.The reference selection becomes a difficult decision to make. The method of selection which we put forward in our paper is based on the use of brand typology. According to this typology, every brand can be found in one of the following categories: national brands; leader brands; "first price" brand; private label; own brand. The results and conclusions of the research distinguishes the fact that the assortment is the main component of the administration of a sales point, being the one which calls for the organization of the stand/sales display, price administration, stock administration and the administration of promotional campaigns.

Keywords: brand, assortment, retailer

1. COMPETITION AND SEGMENTATION

The first step that can be made with this regard is to identify the existent segmentation, related to present products. The re-formation of traditional criteria of segmentation may be needed. The segmentation will rather be achieved starting with units of time, space, moments of consumption, than starting with traditional criteria like sex, age, profession, etc.

A first approach to establish the first criteria suggests the analysis of the assortment's width and depth. Indeed, an answer has to be found to a question related to the concept of product and especially to the concept of store aiming to develop:

1/ Do we want the store to have a wide offer of products (a lot of different products, many references for every product) or a narrower offer (compare products suggested by Profi or Plus to those of competitors like Real, Carrefour, Auchan, Kaufland: the product range is completely different).

2/ The size of the store: many tradesmen tried in small sales points to make profitable assortments corresponding to stores of a size hierarchically above. It is not possible that a shop of 5000m^2 should suggest a variety of a 10000 m^2 store as it will prejudice the offer's legibility. Such a decision will lead to the presentation of a single reference for every product. To ensure the legibility of all brands and to guarantee the bankable purchase volume, this is not possible.

3/ Brand image: fundamental. What will happen tomorrow if Plus is not the cheapest? Will the consumer perceive the brand's message in the terms of the price? G Market (former Gima) stands for a quality store: it continues to be one of the most expensive on the market, therefore associated with quality. The Carrefour hypermarket aims towards discount. It is possible, however, that this perception of discount in the case of Carrefour might not be real. But the client's perception of Carrefour or Real might as well be based on brand, which can be dynamic and innovative regarding the promotions as there is effective communication and heavy investment in communication campaigns throughout the year for all the promotions which are to take place at these stores.

4/ Finally, the last variable would be the market. What is it that it needs? How could it be satisfied regarding the offer, considering that some products are not available?

The second criterion to note would be the criterion of local culture, a very frail cultural variable. Indeed, from one region to another, one can deal with levels of competition which are exactly contrary. To be more exact, in many regions (cities) the inter-category competition is prevalent, whereas in other regions this competition is more strongly perceived.

Example: Romania finds itself in the stage of launching-developing of modern retail. Timisoara is a developed city, aimed at by many retailers. At the end of the year 2007, there were, besides former sale-structures (booth/stand, small shops, groceries, small-sized supermarkets), the following structures of modern commerce:

- Supermarket: Billa, Etti, Nova Tim;
- Supermarket of discount type: Profi;
- Cash&Carry: Metro, Selgros;
- Hipermarket: Real;
- Hipermarket of discount type: Kaufland;
- Do it yourself - stores: Praktiker, Interhome, Brithouse.

Even with this entire offer, the competition is not of inter-category, Billa does not compete with Nova Tim, or Metro with Selgros, Real with Kaufland, Praktiker with Interhome. The perception and behavior of purchasing and consumption of the citizens induces a competition among these structures regarding different product categories as well as structures of the traditional commerce regardless the customer segment (young, mature, older; individuals, legal entities; low income, medium or high, etc.). There are few who make the difference between sizes, between the advantages they offer. The choice of the purchasing location is made based on the brand (insignia), location, the price advantage of the products relevant to the consumer.

The decisions are as follows:

- For clothing I go to Real, they are the cheapest there;
- I buy fruits and vegetables at the best price in Kaufland;
- In Billa I buy canned food, moreover it is not crowded;
- To NovaTim I go during the night, for unscheduled shopping;
- Meat ant meat products I buy from Selgros;
- Consumer electronics I buy from Metro;
- Hardware I buy from Praktiker;
- Small furniture, varnish and paint I buy from Interhome.

The decisions given as examples above regard modern trends, but the choice is often made following the inter-category pattern, and not within a category. Continuing the exemplification and taking into consideration the traditional trade and the shopping centres, the choice will be made as follows:

- Clothing from Real, or: the market, The Shopping Centre EURO, regarding the price, from IULIUS MALL, for variety and quality;
- Fruits and vegetables from Kaufland, or agro-food markets;
- Canned food from Billa, or retail/wholesale warehouses (Pencoop);
- Usual products, during the night, from NovaTim, or from the booth at the corner of the street;
- Meat and meat products from Selgros, or: producers' stores (Aldis, Agil), or the butcher's;
- Consumer electronics from Metro, or from specialized stores (Altex, Flanco, Domo, MediaGalaxy)
- Small furniture from Interhome or from local producers.

What makes your store attractive? In other words, at start, does your notoriety allow you have the best results in the area? Will there be necessary an analysis of the geo-types and socio-styles and to identify if among the consumers there are certain characteristics specific to one or another area?

Finally, who will be your local consumer? (Will he/she purchase a large quantity? Will he/she go and shop in a hypermarket and then compete the shopping by buying from small traders? Or will he/she choose the shopping location according to a decision based on his/her mood at the moment?)

The third criterion to process a variety will allow the knowledge of what will be detained from the references.

First of all, in terms of the choice: how many products will I make available to the consumer? According to what criteria? Finally, the maximum in theory is given in the meters of the sales display, i.e. the length of the furniture at ground level, multiplied by the levels of display.

For example: a shelf of 10 meters long at ground level, having 5 levels of display, will correspond to a 50 meter-long display.

So, according to this, we will have more or less space to display the products on the shelves.

The second issue: the number of references for the segment I wish to arrange: how many different brands will I present to the consumer?

The third issue: the sales' past, which is very important because to persevere does not apply here, the distributors are not charitable. When a product is not rotated, there is no reason for it to be found in a better place within the store, and neither is there a reason for it to continue within the store.

The forth issue: we will look for references to suggest for the segment: that is, what brand will I retain this time?

For example: Petrosani is a town with a precarious economic situation, starting with the amount of the inhabitants' budget allocated for food products, it will be hardly likely that the premium brands will form the extended part of the assortment, regardless of whether there is the case of a discount store or not.

After the question "which brand are we going to display?", there must be given an answer to the dilemma of the space allocated to every brand. To find a solution, a marketing choice might be to manage a horizontal segmentation and then a vertical one, focusing on meeting the needs, at first, and then, there is the possibility of choice which we will offer to the customer, as a second step.

Regarding the first step, by the horizontal segmentation, a product offer will be suggested, aiming to meet the customers' extensive needs.

Then, after having marked the needs, an offer will be suggested starting with the less expensive products all the way to the more sophisticated, more expensive ones. Here will be considered the vertical segmentation, which is the width of the gamut.

This way, we arrive at the length of the assortment, for the shelves in question. This is given by the depth multiplied with the width of the assortment. This situation determines the issue which will have to be agreed upon with the suppliers, to establish the placement on the shelves, gamut accordance with the powerful suppliers, and the store's ability to satisfy the customer.

This double vision of horizontal and vertical segmentation supposes that the first decision will be made regarding the shelf, then the family, then the sub-family, and finally in more detail.

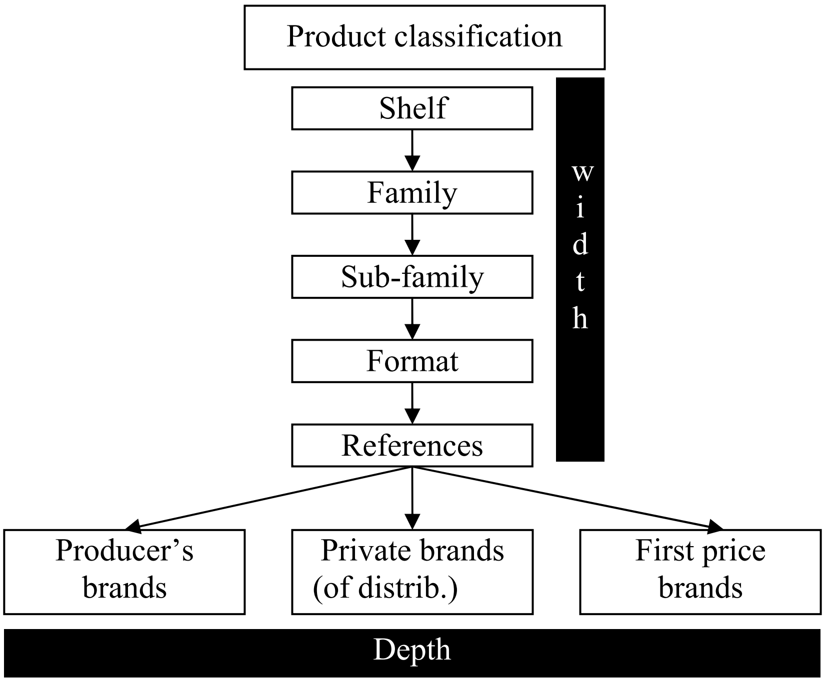

Figure 1. The vertical and horizontal segmentation of the variety

For example:
Shelf: beer
Family: exclusive beer
Sub-family: exclusive ale
Format: can, bottles, barrel
Reference: Carlsberg, Heineken...

Finally, after having settled this request, we will know if we display the producer's brands, the first price brands, and exactly in which packing (boxes of 24 or 25…)

2. REFERENCE SELECTION

A method for selection is based on the use of a brand typology. Every brand can be positioned in a precise category. On most markets there coexist 5 types of brands.

1. National brands (or regional)

These are brands which carry an image due to producer's notoriety. Furthermore, these benefit from a powerful image of quality. They correspond to the consumer's expectations (that is why the price battle is rough as well).

2. The leader brand.

This is usually to be found among the national brands. It is the brand:

- mostly required by the consumers
- the one with the highest market share

When there is a "true" leader because of its notoriety, of the turnover which it generates, or because of the big difference between the turnover and the challenger, its presence in the assortment is utterly essential.

3. "First price" brands

These are basic brands for which only the economic dimension will be taken into consideration. They are indispensable in the case of a variety and are to be found in every family, because:

• it contributes to a good "price positioning" of the insignia (the store's impression);
• it generates an increased volume;
• they respond to a certain expectation of the consumer.

The brands that belong to one of these three categories have the responsibility of being present with every distributor. It is this presence that starts a "war of the prices". To avoid this price competition and to limit the negative effects on the margin, the distributors have gradually developed two other brand categories.

4. Private (distributor's) brands.

These are products marketed under the distributor's brand and to which the insignia is committed to build their image. Whatever the reason is for their inclusion in the variety (good quality products, less expensive products, etc), these products have the great advantage of not being competitors. So, they are not submissive to the "war of prices", a fact that allows to get a good level of margin and an interesting profitableness.

The usual placement of private brands is in the middle of the gamut. If they are placed in the downward part of the gamut they will not allow turning account of the insignia, and if they are positioned in the upper part of the gamut, there'll be clash between them and other products which enjoy a powerful notoriety and image recognition.

This placement generates three constraints:

• A gradually growing exigency with regard to quality. The required level of quality must be comparable to the level of quality of the product of reference, in other words the leader product.

• An exact price level. The quality being very similar to the one of the leader, the price must not fluctuate more than 15% compared to the leader price. If the difference is greater, the consumer will show doubt regarding the quality level. If the difference in prices is reduced, the consumer will not be urged to select the private brand.

• An elaborated packing and presentation as for the national brands.

The private brand can reach a market share up to 20%, but its performances vary according to various factors.

On certain markets, the producer's brands remain dominant because of:
• their notoriety (pens, whiskeys);
• their knowledge of techniques (products for babies, shampoo);
• their commercial or marketing aggressiveness (perfumes, detergents).

On other markets, the private brands are dominant because of:
• the consumer's lack of involvement (paper tissues, certain food products);
• the growth of brand similarity;
• the lack of sign value (packing bags, men's underwear).

Because of these reasons, the influence of private brands on the entire market varies greatly, from a few percentages on the cosmetics' market to a quasi-monopoly in the case of garbage sacks.

At present, the distributors' desire that their private brands take hold of a large part of the market, so that:
• they enjoy customer's fidelity;
• they can comprise a personality trait to the insignia.

5. Own brands (or reserves)

These brands have been created for the same reasons as the private brands and have the same purpose, but having no "signature" their placement in marketing is a lot broader.

Not having the responsibility of conferring value to the insignia, these can be placed downwards the gamut, in the middle or in the upper part of the gamut.

This brand typology emphasizes the importance of the brand to the consumer. Finally, the choice of one brand depends on:

1. the consumer's involvement
   • degree of personal interest in the product;
   • the value of the product's insignia;
   • the value translated into content;
   • the importance of risk and security.
2. trust regarding the differences among brands
3. the feeling of "recognition" – the presumptive competence
4. the degree of difficulty in making a choice
5. the sense of technical evolution
6. the interval between two shopping.

As long as the insignia (stores) do not dispose but of the first three types of references, in other words the private brands and the own brands are not to be considered, the competition upon the sales price will unfailingly lead to a gradual degradation of the margin.

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EFFECTIVE NEGOTIATION STRATEGIES

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Abstract: Negotiation is one of the most valuable processes in nowadays life, when there is a high diversity of human and business relationships. This paper aims to highlight the main elements that have to be taken into account in order to apply effective negotiation strategies, as negotiation, even if not something extremely complicated, needs more than intuition in order to obtain better results.

Keywords: strategies, negotiation, business relationship

The concept of strategy. The importance of strategy in negotiation

Negotiation is a set of activities, conversations, consultations between two or more partners aimed at achieving some clear objectives. It is a social process, as it is based on communication between partners as different parties, and somehow may be perceived as a competitive process.

The concept of "strategy" has been used in various fields and therefore has not only one meaning. The central common element involves the need for planning every action in order to attain the desired results. Without strategic thinking, a negotiator cannot be sure of anything, cannot anticipate at all the evolution of negotiation in which he/she is involved. Therefore, it is clear that the term "strategy" suits very well the negotiation process.

Strategy may be seen as the direction set in terms of manner and behaviour oriented towards achieving the goals. The negotiation strategy is a plan made in order to achieve the desired objectives.

The negotiation strategy is composed of the following elements:

a) a *vision* that incorporates a future situation, in which there are some ideas reagarding the way situation will evolve;
b) the desired *objectives*, that must be realistic in order to be attained;
c) the methods wanted to be used in order to achieve the objectives (*strategic options*);
d) the *available resources* to be used in order to attain the goals.

Generally a strategy also involves a certain competitive advantage. In this case it is not a suitable approach, as negotiation shouldn't be perceived as real competition. However, there is always a strength each of us have in a negotiation process. Sometimes this strength is given by negotiation itself – if we sell, maybe the product we have is our strength; if there is a negotiation in our private life even the relationship with the other negotiation participant (i.e. family member, very good friend, etc.) can be our strength. Therefore the advantage needs a certain context in order to exist. In other cases the advantage is given simply by being a good negotiator and this can be a permanent advantage.

Negotiation strategy is based on a realistic analysis of situation that requires a specific negotiation process, on possible methods, on risks and constraints implied. By taking into account all these elements it is possible to foreshadow the acceptable compromises, those that do not negatively affect their own interests and to attempt to assume the partner's actions.

Negotiation strategy leads to a specific behavior of negotiation team, a specific environment in which negotiation will take place, specific dialogue relationships; it is also the cause for the messages' content, for the use of a series of techniques and the avoidance of others, etc.

Intentions, Goals and Objectives of a Negotiation. Strategic Options

Intention of a negotiation refers to the subject of a negotiation process, no matter the conflict content. It is possible to negotiate in order to divide something between partners, to reach a consensus regarding a specific issue, to make possible the recognition of someone or something, to obtain an equlibrium, to sell or buy something, or even to stop a trade, to separate, etc.

Issues become more complicated when the two negotiators have different intentions, for instance when one of them is interested in an alliance and the other wants only to ensure stability.

Goals and objectives are related to the conflict content; it is possible for the two parties to have the same intention, yet different objectives and goals (otherwise there would be no conflict).

Intermediary and final goals generally remain hidden, whilst the objectives, which are more concrete, can be declared.

With respect to choosing a negotiation strategy, the negotiator have more alternatives (*strategic options*):

- choosing between an integrative and a distributive approach;
- choosing between an offensive and a defensive orientation;
- choosing between a short negotiation and one for a longer period of time;
- choosing between an imposing and an adapting behavior;
- choosing between a total and a partial accord or between one immediately made and one reached after a period of time.

Among these options, choosing between an integrative and a distributive approach is the most important, as all the others are related to this.

The Available Resources, Negotiator's Instruments

The main „resources" to be used in a negotiation process are the following:

- communication;
- general means (human or intellectual);
- information.

Communication is a very important resource in a negotiation process. The knowledge of the main communication types (verbal, nonverbal, transverbal) is a strong basis for increasing the negotiation's results.

General means are related to people seen as means, through experience and exercises. People seen as means are represented by family, friends, colleagues, etc. As experience increases, negotiators' performance does the same. Negotiators interested in perfecting their abilities have to permanently improve their cultural level and to attend some special courses aimed to help them.

Information is essential. Before each negotiation process, negotiators find out information that can be very important when establishing a strategy. In order to have an effective strategy, quality as well as quatity of information have an important role. Otherwise, there are quite high risks.

Strategy's Phases and Factors for Choosing a Strategy

Strategy's content refers especially to the following phases:

- *Establishing objectives and priorities.* Generally, priorities will be approached on a specific utility scale, which will allow putting in order all the objectives involved. After this, it is relatively easy to begin to choose the techniques and to adapt them to the concrete conditions in which negotiation will take place
- *Setting the general vision of negotiation.* It is very important to establish the way negotiation team will try to reach a solution, by taking into account the concrete elements of negotiation, its analysis and the possible options, risks or constraints that could appear during the negotiation process;
- *Choosing the concrete means for action.* This phase refers to establishing team's componence and leader, setting the plan for negotiation process, choosing the place, the moment and negotiation procedure, establishing the methods for argueing and, last but not least, setting the negotiation's limits;
- *Identifying possible change solutions.* This refers to possible changes of orientation during the negotiation process and leads to negotiator's decision to continue or to interrupt his/her actions.

The choice for an adequate strategy needs considering a series of factors, most of which being quite complex. Some of the most important factors to be considered are the following:

- ✓ internal or international environment in which negotiation process takes place;
- ✓ personal resources (material, financial and human resources);
- ✓ possible partner's actions;
- ✓ the situation of dominating or being dependent.

Types of Negotiation Strategies

We can distinguish between three fundamental types of negotiation:

- *distributive negotiation* (win-lose; it is not possible for one of the parties to win if the other party does not lose; every concession made to the partner means a worse result for the one who made the concession and vice-versa);
- *integrative negotiation* (win-win; partner's interests are respected, even if they are not in concordance with their own interests; this type of negotiation is based on mutual respect and on admitting the fact that there are different interests; it is beneficial because it leads to better long-term solutions, parties are feeling better and the relationships between them are strengthening.
- *rational negotiation* (negotiation partners intend to objectively solve all the basic problems and do not want only to obtain some concessions; this type requires a higher strictness and some logical phases to be followed).

Another classification of negotiation strategies groupes them in:

- *direct strategies* (they imply a strong stand in relation to the negotiation partner, because of having some special advantages such as: uniqueness of products or services, special quality of raw materials, special prices, special offers, no competition, etc; these strategies are adequate when probability for achieving the objectives is very high and the negotiator is sure of wining);
- *indirect strategies* (they involve taking the partner by surprise in order to minimize his/her capability to react; such a strategy can be used by those who are

confronting an unfavourable situation and are interested in changing that or by the weaker partners who do not hold strengths to be transformed in advantages; the techniques who serve as a basis for these strategies are psychological, in order to make the partner lose attention from the most important elements and to lower his/her arguments).

Negotiation strategies depend on situation, on negotiators' personality and ethics, as well as on the relationships between parties.

Selling and Buying as Negotiation Processes

The seller should begin by finding the reasons for buying of his/her customer and has to avoid any confrontation in order to rapidely pass to the second phase of negotiation process, the one in which the customer perceives the seller as a person who does not have opposite interests and who cares about customer's needs. This phase begins when the seller, who understands customers' needs, stimulates the trade, by appearing as someone capable of helping the other to solve his/her problem.

For the buyer, more important the expense is (because of price or because of quantity), more possible and important negotiation is. If limits are large, negotiation is even more important. In many cases the buyer is talking too much (which is for sure an error). The sellers generally have developed the skill to make the buyer talk in order to understand his/her weaknesses and thus to make him/her buy the product. Silence is very helpful for buyers, with only some head shakes that do not say anything. This way the seller is disoriented and does not have any power anymore. If the buyer is imprudent and talks too much, by informing the seller about anything, normally the seller should be interested in discussing everything, no matter if it is negotiation-related or not, and should make proposals in order to test the buyer's reactions. There are two cases:

1. The buyer expressed a price (an acceptable one for the other).

In this case the buyer has to firmy stay on position. This generally involves a previous study of the price of merchandise intended to be bought, without rushing to talk about it and being prudent. The study necessarily presents some inaccurate elements, even if the price on the whole is correct.

If he/she explained in detail, the supplier would never disapprove something wrong that is beneficial to him/her, in order to make the buyer pay more for the product. If the seller is skilled, every time the buyer makes a precise estimation that is in his/her favour, he/she congratulates the exactitude and is enthusiastic and flattering. The buyer has to let the supplier to argue, to mention figures, to justify, to accept what can be acepted and to oppose to unjustified high prices. Thus the chances to pay even less that he/she has foreseen are increasing.

2. The buyer did not express any price.

Of course he/she has a price in mind, but it is not the result of a precise study. The intention is to obtain the lowest possible price acceptable by the other party. It is not advisable to talk at all, as he/she does not hold enough information and cannot win this way. It is very important not to answer a question with a meaning similar to "Why do you think my price is too high?". It is just too high. If the buyer seems to require any information, the situation becomes completely different: the buyer has a stronger power and the seller, being the weaker one, begins to ask questions in order to be able to sell.

Negotiation in Companies

In companies negotiation is generally needed for:

- making people accept a change;
- changing a procedure used by two different departments;
- solving a conflict.

1. Making people accept a change

The whole change involves new habits: what was previously automatically done, will need to be done in another way; many days and sometimes even weeks are needed for the new habits to really become habits.

More than this, change is surprising. Employees consider than many colleagues come when they have a problem and need some help, but do not request some opinions before a major change, which should be done as a proof for respect. Thus employees begin to develop frustration feelings that make them aggresive with respect to everything new for the future.

Being aggresive means, for instance, not to pay attention to the new rules, to show these cannot work, without trying to make them work. Thus an internal conflict begins, as the force of opposing to change is greater than the one of accepting it. In that moment change is rejected. There is a strong resistance against it, which is a conflict between the ones who resist and the ones who have decided the change.

Solving the conflict by force is generally excluded, therefore negotiation is needed. This means that all critics that resist the change have to be paid attention to. There are three main phases:

1. „This change cannot lead to anything good, the proof is...”. At this stage the ones opposing the change have the opportunity to complain for similar facts and this makes the situation more complicated. For them the only solution is coming back to the initial situation.
2. The change is analysed again by all the involved parties, step by step. It has to be proved that some elements could lead to progress and all the people should propose solutions for improvng everything that does not work properly. Step by step, the two parties will understand that they can reach together a solution profitable for both of them.
3. At this stage there are only one or two elements for which parties did not come to a common solution, and only a last concession is needed for each of them.

If parties had associated from the very beginning of a change, all these steps would not have been necessary; the first phase would have been skipped and a lot of time would not have been spent in vain.

2. Changing a procedure used by two different departments

All employess dream to be supported through incentives and attitudes, no matter the department they work for. They are still different and perceive procedures differently as they are used to specific activities (for instance sales activities are quite difficult from production activities). If a procedure is needed by two departments, both of them have to work to develop it; otherwise, there will always be a conflict that cannot be resoluted successfully, unless a third party intervenes to listen both parties and make them work as a team. It is better to do something from the very beginning.

3. Solving a conflict

This third category comprises all the conflicts that are not in the previous two categories, which cover very precise fields, and refers to people who work in a company. Every person has his/her own motivations that are different from the ones of his/her colleague; something that is good for one of them might be less good for the other. The needs could also be different, yet these needs form generally the same hierarchy for people belonging to the same culture, which make them cooperate easier. However there are always some needs that cannot be satisfied and lead to frustration, aggresive actions and sometimes even to the so-called social conflicts.

Conclusion

Despite the need for a rigurous approach of strategy in negotiation, it is very difficult to indicate a strategy that is the best in all the cases. Each time situation and all parties involved have to be perfectly understood in order to obtain the desired results.

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ASPECTS OF EFFICIENCY BASED RESTRUCTURING IN BAKERY INDUSTRY

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Abstract: The restructuring of an activity involves changes in the way a company generates value and delivers this value as products or services on markets [2].

To determine as well as to implement the necessary steps towards these potential changes is a difficult, risky task. Consequently, restructuring is a serious commitment which from the very beginning should involve both the management of a company and those interested parties.

Besides, the general unpredictable changes typical to an economy and particularly those changes imposed by competition on markets, generates the idea of making frequently assessments.

Keywords: efficiency, bakery industry, competition

Introduction

It is obvious that ex-state owned Romanian bakery companies need a certain restructuring due to losing large markets, low level technology, energy and work capital costs, etc.

The revealed critical aspects refer to the degree of the requested restructuring, necessary resources and the speed of the process. All these aspects are clearly related to the lack of resources, legislation framework and low performance in all areas of economy [1].

The research outlines the fact that restructuring of bakery industry was and still, remains one of the major objectives of the reforming process. To fulfil this major objective, professional approach and specific tools are required, meant to act and stimulate adopting such medium and long term re-technology strategies, based on complex diagnosis analysis.

Aspects of restructuring process in Romanian bakery industry

A concise analysis on concept and way of undergoing the restructuring process in bakery industry reveals both success and failure.

In 1999-2004, a large number of productive capacities adopted modern technology: 40% of bread product capacities, 60% of pastes product capacities and over 55% of biscuits product capacities, delivering price/quality competitive products to those in European Union member countries.

Taking into account the complexity and objectives of the restructuring, we can say that the process is still at its beginnings, particularly in small companies where due to poor funding and lack of concrete criteria and strategic objectives, a proper restructuring could not start; this resulted in low quality products, at high production costs.

The cost, while no taking actions to implement restructuring programmes, is directly interrelated to the gradually increasing number of necessary actions and selective approaches. The feasibility studies and debates on restructuring pre or post-privatization should no longer be taken into consideration due to a simple explanation: if a module of the set of actions potential capable to fulfil a major percentage of the general objectives can be implemented, a phased implementation should be applied and correction made whenever needed. This is the core of an effective based restructuring in bakery industry proposed to be the right methodology and theme to be applied in this area, either we speak of conducting or implementing the change process.

We have to mention that bakery industry was one of the first areas of the economy where 100% privatization occurred, as early as 1998. Under these circumstances, promoting competitiveness and regulatory mechanisms specific to market economy, mainly based on the supply and demand law, started also in bakery industry despite the fact that the new institution and law infrastructures did not define the system change in detail. This phenomenon generated difficulties and obstacles within the restructuring process, specially in ex state-owned companies. One can say that these companies faced early organizational restructuring by putting abrupt end to old organizational structures. This abrupt change of centralized organization to autonomy led not only to positive results but also to negative ones, such as:

- extinguish the informatics system and data management, lack of perspectives regarding the requirements and opportunities on markets.

- breach in horizontal and vertical relations as well as break of commercial and cooperation relations between certain economic agents, suppliers of raw materials and services for the bakery industry.

Consequently, in many cases, the result consisted in: downsizing the production capacities, extended bureaucracy, higher costs, distortions within the production flow, mainly in those companies where reform strategic management components were not market oriented.

It should be stressed that restructuring of the property system did and it still does represent the most important component for the bakery industry resulting in a large diversity of bakery products, based on open competition between economic agents and on ruling supply and demand law.

Following the restructuring and diversity measures, in 2003, bread and long loaf type products attracted about 18% of food money spending, compared to 16% in 2002.[3]

As any restructuring process is accompanied by change process, the manager can apply a very simple rule:"situation-mission-situation" which involves: (1) periodical analysis of the activity, (2) adapting the activity to a realistic set of objectives and (3) implementing the right set of actions.

Efficiency based restructuring requests that any action should be justified by cost/benefit ratio and should in such a way be assessed that desired results are reached in due time. This involves an existing clear programme of work, medium and long term priorities, which should be implemented along the critical roadmap that each bakery company follows. This key rule of a modern management can be periodical applied within the bakery industry, by situational analysis on short term implemented actions. If the situation is getting better or deteriorates, objectives should be either kept in place or adapted to reality, whereas a new set of measures or the upcoming set is to be implemented. By applying this process again, a manager can gain tools to control restructuring, downsize the associated risks to any change.

The restructuring of the ex state-owned companies is totally different to a newly established company. Over 95% of the bakeries produced before 1990 came from state-owned companies. The management of these companies was production oriented, comprising professionals used to getting missions from the central authority in charge with both supplying resources and selling the products. The mission of the state-owned company managing team was mainly to control only the supply process, according to delivered specifications.

The restructuring of bakery companies require that difficult and sensitive management actions are differently implemented, function of specific internal conditions; such situations need strategic options identification and gradually progress assessment.

For the ex state-owned company managing teams, this process was a difficult one and the situation could get even worse due to the lack of expertise and keeping such a policy in place. So, it is crucial that the manager implements feasible plans, with no outside intervention, and builds shortly the ”start point” for an effective cost control and for reducing cash-deposits during policy changing and/or outsourcing.

For the efficiency based restructuring concept, it is key fact that bakery commercial companies identify feasible objectives and assume the action plan. The starting point should be both the understanding of the short term actions to be undertaken and the necessary long term strategic changes, for being able to generate new work tools for the company management infrastructure and other necessary important elements for the management.

The main short term and perspectives changes play key role in organizing and launching the restructuring of the bakery activity.

As for the short term changes, actions are necessary for: implementing the changes, raising cash flow; actions at short notice or short term for cash deposits; implementation of short term actions and results monitoring; profit margin and price system analysis for each type of bakery; controlling the minimum profitability threshold; reducing the rotation speed of the assets and stocks; renegotiating with the suppliers, clients and agents; re-dimension of the production; investments analysis based on cost-benefit ratio; activity and budget planning.

As regards the perspective changes, medium and long term actions are necessary: establishing accounting systems for costs and benefit centres; implementing quality assurance systems by means of a complex process aimed at putting into practice the HACCP (Hazard Analysis and Critical Control Points); generating internal resources for investments and development; reorganizing the internal infrastructure (organization and management, information systems and managing reporting; setting out a flexible supply system).[4]

Actions regarding efficiency based restructuring in bakery industry

Our research in bakery companies revealed the fact that the main approach in efficiency based restructuring involves 2 types of aspects of the globalizing market: technical & technological aspects and legislative aspects.

- **Technical & technological aspects**

Simultaneous to management actions, the restructuring involves technical and management changes. Among them, we mention the premises, modernization, new technology, investments, product diversity, equipment procurement and environmental changes

- Generating premises for raw cereal materials in necessary quantities and quality according to milling and bakery industry requirements represents one of the key conditions of the restructuring process in bakery industry.
- Modernizing the existing capacities and implementing new technology to increase technical, economic and quality performance to meet the internal market needs and to eliminate polluting factors.
- Further investments for implementing new technologies in the existing capacities to increase technical, economic and quality performance to meet the internal market needs and to generate exports.

- Extending the range of products, post cereal processing, to reduce bread consuming by increase the need for other products such as: pastes, cereals for breakfast, biscuits, pastry, etc.
- Procuring machines, equipment and modern technology to ensure complex raw material processing resulting in higher productivity and performance for end products, decreasing energetic consumption and production costs, ensuring food, environment and consumers protection.
- Modernization of bakery industry in harmonization with the environment.
- Enlarging bread producing of refrigerated dough, by procuring small size equipments to meet area needs [5].

- **Legislative aspects**

Those aspects should ensure the legal framework of all kind of restructuring actions within the bakery sector. Here are some considerations regarding these aspects:

- Need of harmonization with the European Union regulations.
- To promote, together with Ministry of Agriculture and Rural Development, Research Institutes, Cereals Growing and Depositor Business Associations, of a unique body responsible for cereal policy in Romania, with responsibilities regarding: crop orientation in accordance with internal and external market requirements and issuing an unique system to structure wheat in types and quality.
- To ensure free access to raw materials suppliers, especially wheat, by a firm customs policy aimed at encouraging internal cereal grow and reduce speculation.
- To develop cooperation with research institutes, Nutrition Institute, to meet global tendencies regarding nutrition and population health, taking into consideration national and internal tendency.
- To organize together with cereal wholesales business associations and with stock exchanges, an informatics system for trading both raw materials and end results of the milling and bakery industry.
- To promote together with companies managing teams and in cooperation with branch unions, Labour Ministry and Research Institute for Labour Protection, those measures that lead to better work conditions to eliminate toxic work in milling and bakery industry.
- To promote regulations to stipulate the obligation of bakery producers to process poly-vitamins added wheat to increase population health. Reduce costs are to be taken into consideration versus benefit effects of this action.
- To establish and consolidate inter-professional organizations and product boards in order to ensure: orientation of the cereal crop function of internal and external market; to issue laws and regulations in harmonization with European Union requirements; to propose mechanisms to encourage cereal growers; to sustain the implementation of an unique cereal classification system in accordance with the requirements of internal and external market and to propose levels of establishing zone crops, including measures for attracting or redounding resources; to stimulate agricultural production based on effective criteria.
- To issue regulations for stimulating cereal processers and traders to export end results (pastes, biscuits, flour, maize) at global market prices and protection measures to ensure a competitive framework and products similar to those in other countries.
- To ensure a proper legislative framework that allows access of Romanian bakery products on global market, within the same context as that of neighbouring or west countries [4].

Conclusions

To become competitive, the bakery companies must proceed to functional integration of the concept and general marketing instrumentation within the activity managing process.

Taking into account the fact that a common market represents the core element for economic integration within European Union and that the main goal is to generally stimulate competitiveness on national markets of the bakery industry, thus ensuring European economic growth, enlarged competitiveness and higher living standard, the Romanian bakery industry must meet requirements of quality and food safety standards in European Union.

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THE MANAGEMENT OF EDUCATION AT THE BEGINNING OF THE 21ST CENTURY: FROM TEACHING TO READ AND WRITE TO CONTINUOUS LEARNING

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Abstract: Knowledge society is a new world characterized by the huge number of information sent in all directions. A special place belong to education, which must be accessible for all people, regardless nationality, religion, sex or any other social determinant. Many countries insist not only on elementary education, but on permanent education required by frequent changes. People have to face new demands of the labor market, individual competition, and new technologies. The need to eliminate the monotony and to self-perfection through information assimilation appears more often. Although the education system is linked to young generation, nowadays it must relegate to all persons interested in acquiring new knowledge. A state has to ensure that the beneficiaries have the right conditions for receiving present useful knowledge, in a proper place, from well-trained personnel. Even if is a touchy field, subject to various changes, education remain a feature for the knowledge society.

Keywords: education, continuous learning, management

1. Introduction

The beginning of the 21st century can be characterized by one word: speed. From the demographic, to economic, political or even technological aspects, major or minor transformations succeed with a vertiginous speed. These transformations often entail uncertain situations with consequences affecting people all over the world. The attempt to predict future remains a great challenge for the decades to come.

The meaning of term “knowledge” can be traced back to the ancient times. Based at the beginning on necessity, then on curiosity and subsequently on ambition, knowledge has contributed to the evolution of society. The level reached today is a considerable one by reference to the historic scale, but it is still incipient by reference to the future. Human societies with their values and their people appear, develop and subsequently become extinguished. A new concept appeared in the last decade of the 20th century: a knowledge-based society, having Peter Drucker as promoter, who stated in 1993 that: “We can be sure that the world resulting from the present rearranging of values, faiths, economic and social structures, political concepts and systems, in other words of the views on the world, will be different from what anyone could imagine today. In some fields – and especially within society and its structure – basic transformations have already been produced. The fact that the new society will be a non-socialist one, as well as a post-capitalist one, is practically a certainty. It is certain the fact that its primary resource will be the knowledge” [2].

The necessity to individualize this type of society is the direct consequence of the speed of knowledge renewal, of the fact that the amount of knowledge we have doubles each five years [4]. Therefore, the determinants of the new type of society are the impressive amount of knowledge, the speed of distribution worldwide, the extended penetration area as well as the receivers’ capacity of absorption. A supporting factor for knowledge spreading is globalization. Condemned by some people and embraced by others, it allowed an extensive input of knowledge of all types. The official position of most of the world states is to encourage the phenomenon, by understanding that only through the specialisation on different fields, by obtaining the competitive advantage and then by knowledge spreading – obviously, for a certain price – a high level of civilisation can be provided. In such a world, the knowledge exchange is absolutely necessary.

2. Education marks in the knowledge-based society

Knowledge is a mark not only for economy. We speak not only of knowledge-based economy, but also of social knowledge, that is the organization of (individual, group, national) reality based on held information. Their dissemination, unprecedented in the history of humanity, is based on the Internet, on the e-book and electronic teaching methods, with direct consequences on the development of scientific knowledge and of truth on the existence. ”It is the only way to provide a sustainable society from the ecological point of view” (Mihai Drăgănescu). The ecological problems and the resource scarcity have been the experts' concern for a long time. The possibility of conveying present information could entail the application of solutions to protect planetary systems, as well as to efficiently use resources.

Undoubtedly, education has an important role in the knowledge-based society. In this new society, it undergoes major changes. The stress must be not only on knowledge dissemination but also on conveying values. This must absolutely be achieved within the first years of education. Sometimes caught unawares by the whirl of changes – often economic - parents and sometimes teachers are merely static links for conveying information, in the sense that they do not try to explain the nature of the phenomena, they do not ask for feedback from receivers and they do not target a certain level of raising their responsibility. Or in a world where lasting development is proclaimed with audacity, formation must begin in the first years and continue for the rest of their life. In Professor George Văideanu's opinion, the development of society is highly influenced by the quality of education, because a man is – beyond heredity and environment – the product of school, of the educational system in each country. “Education precedes and makes the development possible - states George Văideanu – provided it is adapted to the necessities of the respective nation and to the exigencies of the future, therefore provided it is valid and modern” [3].

Education is a fundamental right of man, proclaimed in 1948 in the Universal Declaration of Human Rights. In the 20^{th} century many instruments and educational standards have appeared, together with a series of promises at international level. The real achievement of the last decades is however the social, political and philosophical perception in approaching education from the point of view of the emerging knowledge-based society. Under these circumstances education can not be limited only to school years. A few questions will be raised: How can the equality between sexes be achieved as soon as possible, respectively in order to offer equal chances for girls and boys? How can we make sure that qualitative education can be accessed by everyone, not only by states, families and individuals who can afford it (financially)? How can we be sure that education will not end in intensifying the gap between people (very educated people at one end and persons with limited access to education at the other)? In other words, how do we avoid the major trap of knowledge-based economy, respectively the risk of “division depending on knowledge”? All these themes have been approached on the occasion of the World Education Forum, in 2000, which was held at Dakar. The high-aimed objectives have been set for 2015 [5].

1. the development and improvement of the educational and care system in the first years of childhood, especially for persons with problems or disabilities;

2. the access to primary and qualitative education and the completion of studies for all children (especially for girls, children with problems and also ethnic minorities);
3. providing an educational offer suitable for young people and adults (programs based on skills teaching and training);
4. the increase by 50% of the level of teaching the adult population, especially women, how to read and write, and providing equal access of adults to basic education and not only;
5. eliminating gender differences in the elementary and secondary education by 2005 and achieving equality for the overall education by 2005, the stress being on full access to qualitative education;
6. improving all aspects of the educational system so that a certain level of knowledge be achieved, especially concerning the aspect of teaching how to read and write, basic arithmetic and basic mode of life.

By the end of 2004 the international community was rather far from achieving these objectives: 41 countries achieved or almost achieved objectives 2,4 and 5 (no Arabic state was among them); 51 countries had an intermediate position (for half of them – especially Latin America, the quality of education was poor, this also being the reason why many children left school prematurely although they had access to education); 35 states were very far from achieving the objectives (22 states in sub-Saharan Africa together with 3 very populated countries – Bangladesh, India and Pakistan). Almost 800 million adults, respectively 18% of the world adult population was illiterate. 70% lived in 9 countries (India 33%, China 11%, Bangladesh 7% and Pakistan 6%). 57% of all the children abandoning elementary school were girls. In 40% of the states the number of girls going to elementary school was very small as opposed to boys' number. The unbalance between sexes was more evident at the level of secondary and higher education. Half of the 83 developing states have achieved the equality between sexes at the level of elementary education, less than a fifth at the level of secondary education and only 4 of them at the level of tertiary (higher) education.

Certainly, there is still time until the deadline (2015). However, substantial funds and complex administration and management programs are necessary in order to achieve these goals. The present knowledge-based society must view these objectives as worldwide challenges and must motivate itself through its better developed elements (capitalist states, with a strong economy) in order to support and assist the components found in lower stages of development (states in course of development or in transition).

3. Continuous learning, the direction of current educational system

While many of the world countries face the problem of elementary education, in several countries the concept of "continuous learning" is very common. The 70's promoted this concept. Education started being viewed as an aspect of life characterizing not only childhood, adolescence and early youth, but being a constant throughout the whole life.

Starting from the premise that basic education is often incomplete and inadequate the conclusion reached was that it must only represent the beginning of continuous learning. If at the beginning the problem of continuous learning concerned only the developed countries, able to invest in adults' education also, while the knowledge-based society was formed, a series of states in transition understood its role and started encouraging the phenomenon. Nowadays the continuous learning is a prerequisite of states' development and must be seen as the ability to adapt to the new economy and to its transformations. It can represent the response to a more obvious trend, respectively jobs' instability. It is already a certainty that during lifetime people change at least a few jobs. Sometimes the shifts are towards different fields of activity and even towards different functions, which implicitly entail assimilating the necessary knowledge for the labour process.

Continuous learning is a matter of conceptions and motivation. It must be the result of a man's aspiration to develop, to acquire as many knowledge, to surpass routine and even frustration. On the other hand there must be a positive answer form the labour market, from enterprises, which must appreciate persons getting involved in these proceedings. Initial motivation must have a feedback, expressed in such effects as salary increases, increased stability of jobs etc.

Another aspect is the fact that continuous education must be correlated not only to the time spent working. It must concern the individuals at all times. Ideally, continuous learning must be regarded from three points of view and classified depending on the individuals and lifetime. Thus, three levels of development can be identified: personal and cultural development – the meaning a person gives to his/her life; social development – each person's place in the community, political involvement, belonging to community; professional development – stable and qualitative job, generating satisfactions and welfare. Each of these levels involves an educational component in order to achieve individual, professional and social achievement.

The attempt to divide education in stages leads to five levels. The first one is that of pre-basic education, consisting in a group of necessary knowledge for the child later at school. The second level is that of basic education, while the third is of education and training after the compulsory period imposed by the respective state. The next level will be the period of continuous training, which represents a completion of initial specialisation. Again, the access to this type of training is strictly related to the economic reality of the country or even of the region. However at worldwide level it is still far from the "continuous" concept. Public policy frequently makes this stage the task of companies which must train their employees in order to obtain efficiency or of companies which are specialized for such programs. Here also, the influence of professional and family environment makes the difference. Finally, the fifth level is the one which is free from constraints, representing the stage where people can learn things which interest them directly. Most of the times, the assimilation of knowledge is achieved easier and more grounded when people are interested directly by a certain field and do everything with pleasure.

From the point of view of continuous education, the five levels should represent the same priority to the 21st century man. Theoretic premises can be found at least in developed countries. An encouragement from the states is necessary, through complete policies in the field of education, policies which must reach the population by all means and which must allow explaining the role of continuous learning. Currently, these are concentrated on the second level. Consequently, adults' access to continuous education is extremely unequal; only a few states emphasize the idea of continuing the studies (either in school or at university).

Another aspect is that of constraints of labour market. While the career of an individual is being developed, the costs for acquiring thorough knowledge will be greater. On the other hand, there is a conception according to which intellectual capacity and the capacity of assimilating information will decrease with ageing. This entails maximum investing in the young generation, to the detriment of other adults. Research shows that a higher initial level of knowledge entails a predisposition of the individual for continuous learning. In other words, investing in young generations must not be condemned, as long as they are not limiting the access of other categories of persons predisposed for assimilating new information.

The educational system in the knowledge-based society is much more flexible. New education forms are being developed, the private field is gaining ground (education being pre-eminently a public domain), a real network of private organizations capable of conveying knowledge and information appears. Certainly under these circumstances the states have the moral obligation and not only (they must indirectly have in view the economic interest also) to allow the existence on the market of entities capable (through the quality of educators, teachers, knowledge, equipment etc.) of offering qualitative services.

It is said that a nation is on the right path if two systems are functioning within normal parameters: the educational system and the medical system. The pursuit of statistic increase of the number of educational or medical centres must not be reflected in inadequate accreditations. First of all we need quality.

Continuous education has also concerned over the last years the aspect of individual education. Each person must be autodidact. The present technology allows free circulation of consistent information. However the problem of quality appears here also. The Internet is by far an efficient mean, however the information appearing on websites remains a great problem. Sometimes it can be inadequate, from lack of research, by error or ill-will. For this reason it is necessary as much as possible that the information be verified or taken from representative websites.

The responsibility of developing a system of continuous education belongs to world states, to national and international organizations, to companies and not least to each person. Encouraging education irrespective of age is a proof of each state's "maturity".

4. **Conclusions**

The knowledge-based society transcends the states' official borders. It represents the current, modern type of society, where information is encouraged to circulate freely. In the educational system this may be often expressed by encouraging partnerships between institutions, meant to disseminate knowledge and sometimes to create values. One of them is continuous learning. It has to be promoted in all the states of the world. Certainly, in developing countries, facing other types of problems, this measure seems to be meant more for the future than for the present. Knowledge, however, by the levels achieved and especially those projected allows any measure to be accomplished. The way to an equitable, continuous and qualitative world education is rather difficult yet. A man is however obliged to follow it.

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INTEGRATED TOURISM DEVELOPMENT

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Abstract: In the specialty literature, there are two mainstream development concepts for development of tourism areas: durable development and integrated development. The first one, the concept of durable development is somewhat older and, as some concerns have been voiced regarding it, a second one has emerged, namely: the integrated development. This should represent the key to enhancing life quality level in the respective areas, by being an important alternative in the development plans conceived at a local/regional level. One of the directions for integrated development is tourism, which may be chosen according to the region's characteristic resources and the level of economic development of local population. The best approach for the integrated tourism development concept is the local or regional observation. Specialists in economic development argue that tourism development at this level may be accomplished also by durable development as means of increasing the life quality of local population. Each of the two concepts is focused on certain aspects and has different applications, both in general terms but also, in the particular case of tourism. This study aims to clarify the concept of integrated development, serving thus as a tool for local authorities who might intend to adopt more modern means of management for their respective local communities.

Keywords:tourism, development, management

Integrated Development

During the last decade, there has been a noticeable need for integrating the economic, social and environmental factors in all levels of society, in order to avoid the involuntary consequences of the over-development of one of these and to contribute to a uniform development of activity (Costanza, 1991; Noorgaard, 1988, 1989; Munasinghe & Shearer, 1995). The excessive focus on economic issues and development poses great threats vis-a-vis pollution, with significant impact on local comunities in general and on poor comunities in particular (Lecomber, 1975; Daly, 1980; Daly & Cobb, 1989; Martinez-Alier, 1987, 1991). On the other hand, an excessive care for the environment, to the detriment of economic development, may not generate sufficient income needed to protect natural ecosystems (Goodland *et al*., 1991; Pearce & Warford, 1993).
The *integration* concept has gained in popularity, particularly in the specialty literature, through its association with the planning activity (Butler, 1999; Inskeep, 1991). Research conducted in the field of durable tourism development have shown the necessity for integrating environment factors in economic activity (Wahab şi Pigram, 1997). Other studies have suggested means of integrating economy and culture (Priestly, Edwards şi Coccossis, 1996; Stabler, 1997). More recently, the importance of local participation and control has been acknowledged, defining integration based on the percentile of engaged local population, type and degree of participation, power of decision and control over resources in local tourism (Briedenhann and Wickens, 2004; Stem, Lassoie, Lee, Deshler şi Schelhas, 2003).
The concept of integrated development had its point of origin in the necessity for economic development of townships/regions and has gradually developed new meanings. Observing the negative impact of polution over the environment has led to the integration of this factor in the development process. The discontent of local comunities with respect to steps taken by local firms or by local and/or central authorities has led to including them in the decision-

making process in the development planing programs. Under these circumstances appears the concept of integrated development, as sum of all influence factors, on the one hand, and as evolution process with aspects of particularity according to certain areas, on the other hand.
The institute for economic and social planning in Latin America and Pacific, under the patronage of the United Nations, considers integrated development as a „global and multidimensional process which involves all sectors of human activity and all factors which have a significant impact on the quality of life and the society as a whole—economic, environmental, physical/spatial and social."
Approaching integrated development from a strategic point of view, this should include a number of elements, among which:

- Strategic approach in the long run;
- Inter-disciplinary and multi-sectorial perspective;
- Open and strong involvement of the political factor;
- Strenghtening the administrative capacity and/or of administrative reform;
- Involving the stakeholders;
- Establishing a practical mechanism for continuous and relevant interaction of stakeholders.

Integrating all of these aspects of development is a necessary element for ensuring the positive outcome of a development strategy. It provides for a balance between economic activity, which tend to take the lead, and the relatively limited space and other natural, social and cultural factors which are more fragile and are harder to replenish.

Integrated tourism and Integrated tourism development

In close connection to integrated development comes the delineation and definition of the integrated tourism development or integrated tourism. Using terms such as *integrated tourism* and *integrated tourism development* has first been present in the specialty literature as an attempt to contribute to the development of rural areas.
The concept of *integrated tourism development* has first been used in "References on integrated tourism planning in the Islands of the Pacific", published under the patronage of the UN in 1996. This concept has been subsequently used in the paper "Guide for integrated planning for a durable tourism development", conducted by The Asia Pacific Economic and Social Committee, under the patronage of the UN, in 1999. In these works, the term *integration* is tightly connected with the planning concept with the aim of supporting durable development of the Pacific islands. Even if it is used as a distinct term, integrated tourism is a subordinate of durable development.
In the European area, however, the approach changes gears. Starting off with the necessity for developping Europe's rural areas, the SPRITE Project (Supporting and Promoting Integrated Tourism în Europe's lagging rural region) approaches the *integrated tourism* concept as a solution for increasing the quality of life of local communities, with no connection to the notion of durable development. The authors of the SPRITE Project also offer a comprehensive definition of *integrated tourism* which "may be largely defined as that type of tourism which is connected to economic, social, cultural, natural and human structures of the region where it takes place and seeks to optimally use them." This definition underlines the factors which influence integrated tourism: local resources, local activities and economy, as well as an involved local community. Under these circumstances, *integrated tourism* has the potential to offer consumers a distinct mix of products, services and local experiences.
A different point of view on *integrated tourism* has been presented by Gordon C. and Chabrel M. who, in their work "Measuring Integrated Rural Tourism" (2007), consider integration,

from a tourism activity point of view, as being a holistic modelof all consequences which may involve a tourism area: environmental, social, cultural and economic.
Starting from the definition provided by the SPRITE Project, some authors (Saxena & Ilbery, 2008) believe that *integrated tourism* is a critical and comprehensive way of considering all actors, resources and relations involved in the—very fragmented—tourism activity.
Based on the aforementioned approaches and the "Guide for integrated planning", edited by the Asia Pacific Economic and Social Committee, we may already identify the main characteristics of the *integrated tourism development.* This is largely based on the combination of different sets of values and on the need to attain different objectives. Integrated tourism development should not be regarded as a static model which, once set, is generally applicable. Due to a large array of environment factors, the success of an integrated development model in a certain area does not guarantee identical results in other regions as well. Each township has its unique traits, given by the different degree of combination of natural, economic and social factors. Under these circumstances, each township will have different objectives, which need to be identified and for which, the optimal combination of solutions needs to be found.
Secondly, integrated development needs to address the issue of interconnectivity and pluralism. In order to consider integration for a whole region, the development of component areas needs to be complementary. Different local development options need to be set in synergy within the region, in order to ensure for a uniform development of the latter.
Thirdly, the economic environment which is ever more complex, uncertain and ambiguous, makes the more accute the resort to marketing-promotion activities in order to create a distinct image in the minds of the consumers and to ensure customer loyalty. Nowadays, a negative information travels via the mass media almost instantaneously. Terrorist attacks, virus outbreaks, ecologic disasters affect the whole country and the respective region, in particular. The role of marketing-promotion activities, in situations such as these, consists in containing and isolating that particular area from the rest of the country, in order to minimize the negative impact.
Alongside the challenges raised by the conciliation and combination of different needs and interests and integrating them in a comprehensive, solid plan which may be, in turn, integrated in the economic and social realities of that region, the *integrated tourism development* must respond to a whole new series of challenges, such as:

- Being a solution to issues concerning the decay of the environment—under these circumstances, integrated tourism development should become a partner of environment protection, preservation and restoration of bio-diversity;
- Sustaining the principles of durable development—this reffers to the efficient use of natural resources, the respect of social and cultural authenticity of local communities and a general growth of the quality of life;
- Avoiding the outcome of accentuated seasonality—a low level of seasonality means a balanced tourism activity over the whole year with favorable implications on employment and resource use; an increase in seasonality is manifested by an overcrowding of that destination during certain periods with a negative impact on natural and antropic resources, of the local population climate of life (during peak times) and by a decrease of the number of employees and general level of income (during off-peak times);
- Being adequate for the particular area and focused more on quality rather than on quantity—adequacy to a certain area means finding the optimal form of tourism according to that region's resources; once identified, it is necessary to convince the local companies to ensure quality services with a significant plus-value which should

fully meet the tourists' needs; offering quality services, along the increase in income, also means a high satisfaction degree on the tourists' part and, implicitly, a step towards their future return in the area;

- Encouraging cooperation between the public and private sector—under the definition of integrated tourism development, cooperation is the key of success for increasing destination competitiveness, based on the principle "the more, the merrier". The public-private partnership may take several forms within a certain local community: building a ski-slope, a skating ring or an amusement park, organizing events, fairs of folk art and tradition. This partnership may also be manifested in economic activity, in establishing rules and guidelines for construction building, or in local taxation policy.
- Creating a unique identity for the destination—this is a key component in integrated tourism development. Any long-term marketing-promotion activity should have, as one of its objectives, the creation of an unique identity for the product or service; this unique identity is the aspect which differentiates one destination from another and leads to increased tourism traffic; identifying the differentiating elements for each destination is the first step in this crucially important endeavour.
- Combining the inclination for profit of firms with other beneficial purposes for the local community—the companies must understand the importance of the link between themselves and the local community; firstly, the workforce comes from within the local community; secondly, the resources of the area, its customs and traditions are those which draw tourists to that destination; the involvement in socially oriented activities, which may take various forms (building a playground for children, sponsoring the restoration of a tourist objective, granting study scholarships, conducting pollution cleaning activities) represent a long term investment by obtaining the support of the local community, on the one hand, and by preserving and protecting the resources as a tourist attraction factor, on the other hand;
- Using creativity and innovation in the process of integrated development—developping new technologies in the field of internet and communications, constructions, machinery, alternative energy sources etc. provides for new approaches of the tourism phenomena; for example, the internet has made possible the round the clock promotion of the tourism offer via websites; anyone with internet connection may gther information on any tourism destination in a matter of minutes and with a minimal effort; the effective use of internet means website optimization techniques, online advertising and business partner exchange and connections.

In accordance with the challenges listed above, integrated development should follow five main directions, each of which has clearly defined objectives.

The first line of action consists in *identifying* new marketing alternatives for products, services, local development, tourist activity organisation at a local level and involving the local communities. This line of action requires that an active attitude is manifested, towards observing the evolution of tourist demand, of the trends shown by international tourist markets to compile a data base with information necessary for taking the best decision possible.

The second line of action consists in *adapting* to the changes which take place in the national and global economy, in the values and lifestyles of the target population and in environment protection.

The third line of action reffers to *maintaining* the uniqueness of the natural environment, architecture, tourism objectives, local customs and traditions and other tourist attractions. These are elements of tourist attraction, and their alteration means a decrease in destination attractiveness, with a direct negative impact on its competitiveness.

The fourth line of action calls for the *creation* of a clear and strong image of the area as a tourism destination, of a high level of cooperation between private individual operators, of an efficient marketing program, of an efficient signaling system and information centers, of an efficient tourism industry at a local level, and of a promotion activity regarding tourism benefits directed at local communities.
The last line of action stresses *avoiding* the useless competition between individual tourism operators, the hostility of local population vis-à-vis tourists, permanent deterioration or alteration of natural and/or historic resources, the loss of cultural identity, the appearance of concentrated seasonal activities which may lead to pollution, traffic jams and congestions.

Conclusions

From the presentation of approaches on integrated tourist development, some definitive guidelines may be extracted:

- The application framework is a local/regional one; extending integrated development at a national level is difficult due to the vast array of influence factors which should be taken into consideration. Attention to environment protection is another aspect worth considering, as the natural setting is the basis of any tourist activity. The natural setting together with the specific area resources constitute the starting point of integrated tourism development. Under these circumstances, the dynamic characteristic is readily noticeable and is always different from one area to another, due to the different combination of its constituent elements.
- The cooperation relationships are both horizontal (between community members, irrespective of their nature) as well as vertical (between the community and the higher local authority). Moreover, the cooperation relationships should be present in the following teams: public-public (i.e., city hall-Prefect's office) private-private (i.e., among local companies), public-private.
- The marketing-promotion activity should promote the tourism activity of the township/region in a nice way and as close to reality as possible. The positive exageration of certain aspects, even if it serves in attracting tourists in the short term, in the long term it will lead to a negative image and a decrease in tourist traffic.

As a result of the analysis conducted, we may conclude that the application area of integrated development does not limit its actions to a small number of development options, but allows an innovative mix of all influence factors in order to increase the well being of the local community, at a microeconomic level, and the competitiveness of the township, at a macroeconomic level. As it is a modern method of developping tourist destinations, integrated development and integrated tourism should be taken into consideration by local authorities as being working solutions for generating growth in the regions under their control, in accordance with the bylaws of regional and local development.

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THE DEVELOPMENT OF HUMAN CAPITAL

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Abstract: The development of the human resources means better educational and development opportunities for employees and this fact leads to an improvement in people's individual performance, in their team-work and organizational-work. The social configuration and the cultural standard in permanent development as well as the continuous education and the array of informational sources lead towards a professional management inside organizations; it develops the creative and innovating potential of the human element.

Data and knowledge have a leading function in any human activity.

Keywords: human resources, performance

La science, par le modelage des différents objets, phénomènes, domaines, processus etc, affin de connaître l'utilité, aspire au modelage de soi même. Elle envisage mettre en évidence les éléments essentiels communes à la recherche scientifique, à la créativité et à l'apprentissage créatif, affin de faciliter les extrapolations et les interpolations conceptuelles et méthodologiques. Les domaines dont on vient de parler sont complètement complémentaires et ils peuvent devenir en quelque sorte profitables grâce à l'interaction des liaisons existantes.

La recherche, ce sous-système du système de la science, dont la sphère conceptuelle est très ample, représente le fondement de la science [5].D'autre point de vue, la recherche scientifique suppose une activité de recherche du nouveau, douée d'instruments, réalisée par des méthodes, organisée dans le plan social et individuel [5], pour chercher, trouver les informations nécessaires et les appliquer. Les trois moments de la recherche scientifiques et de la créativité – la recherche, la découverte et l'application du nouveau – gardent leur validité en ce qui est d'apprentissage créatif.

L'importance de l'apprentissage créatif se traduit par le fait que l'individu et le groupe assimilent les stratégies de recherche – découverte ce qui est nouveau, original et de grande valeur et les techniques et les méthodes d'application.

Son principal but est de former les individus soumis au processus instructif – éducatif, diverses structures psychiques affin de résoudre les problèmes de manière innovatrice, former des passions pour le nouveau, pour la découverte scientifique, invention, création, innovation, cultiver un style de travail réceptif au nouveau, une conduite innovatrice, par essai – erreur – succès – solution. On suivra un schéma logique à partir des objectifs envisagés pour les accomplir avec succès tenant compte de chaque détail.

Pour offrir stabilité et force, les organisations existantes évolueront grâce à l'apprentissage de la direction entrepreneuriale, par l'adoption des stratégies nécessaires à l'innovation. Dans une société entrepreneuriale, les individus doivent résister à une provocation extraordinaire : le besoin d'apprendre et de rapprendre [3] en vue de développer leur carrière. De point de vue économique, l'innovation est le résultat de l'analyse, du travail, de la persévérance, provoquant une modification dans une organisation.

Les idées innovatrices et de grande valeur apparaissent et sont utilisées au bénéfice de leur progrès continu conformément aux demandes économiques sociales. Pour que ces idées soient valorisées, il faut:

- mettre au point le système de découverte, sélection et recrutement des personnes douées de talent et la formation auprès des équipes de travail;

- élaborer et mettre en fonction un système de découverte et recueil des idées du personnel de l'organisation [6].

Parmi les éléments de la créativité managériale, on peut énumérer : le sujet créateur (le manager ou le groupe, le collectif), le milieu créatif, (l'institution ou l'entreprise et son milieu, l'activité managériale (le processus décisionnel) et le produit créatif (les informations et les décisions).

Auprès de l'organisation et de son milieu, il y a des problèmes que l'on peut solutionner adéquatement selon les ressources humaines, financières, informationnelles [4]. On observe la contribution du facteur humain auprès d'une organisation.

On peut considérer le personnel entier comme une source d'idées [2]. La solution à ce problème, l'apprentissage organisationnel sont déterminé des changements qualitatifs et quantitatifs dans le développement équilibré durable et efficace du personnel dans une organisation.

Le besoin d'élaborer la méthodologie s'explique par la valorisation du potentiel créateur du personnel d'une organisation, affin de promouvoir une culture de l'apprentissage continu, de l'augmentation de la compétence professionnelle et du développement harmonieux des dimensions de l'organisation, par l'efficace. L'opportunité créé par la nécessité de réaliser le présent travail permet son approche systématique, participative et prospective (prévisionnelle). La corroboration de ces modalités d'approche représente un processus synergique d'intensification des actions que l'on exerce sur la qualité fondamentale des interrelations et de l'interaction des éléments de la stratégie utilisée.

On remarque, ainsi, l'amélioration du système de formation professionnelle des employés affin de créer une force de travail, adaptée aux demandes du marché qui se trouvent en plein changement.

Les investissements dans le capital humain compléteront et soutiendront l'augmentation de la production à long terme. L'économie compétitive et dynamique se reflète par la force de travail, qualifiée à un haut niveau, par le niveau d'éducation élevé et la capacité de s'adapter aux nouvelles technologies et aux besoins changeants des marchés. Pour augmenter l'adaptabilité et la flexibilité de la force de travail, la Roumanie promouvra des politiques actives sur le marché du travail affin d'obtenir la participation sur ce marché, comme fondement d'une économie compétitive reposant sur la connaissance (voir le Programme Opérationnel Sectoriel Pour le Développement des Ressources Humaines 2007-2013).

En plus, on distingue les suivantes directions importantes:

- le développement du capital humain et l'augmentation de la compétitivité par la promotion du système d'éducation et formation professionnelle initiale et continue;
− le développement d'un marché de travail moderne, flexible;
- la promotion de la culture entrepreneuriale et l'amélioration de la qualité et de la productivité du travail. L'accomplissement de ces objectifs contribuera à la facilité et à l'efficace de l'implémentation de la Stratégie Européenne d'Occupation des ressources humaines.

L'éducation et la formation professionnelle initiale et la restructuration de l'enseignement à certains niveaux sont essentielles pour assurer la continuité et la relevance des principes et des politiques éducationnelles. L'apprentissage tout au long de la vie est essentiel pour le développement personnel, civique et social, tout comme de la perspective des objectifs concernant l'occupation – conformément aux demandes européennes. C'est pour cela que la formation et le développement des ressources humaines par l'éducation continue, de qualité, contribueront au développement ultérieur de la Roumanie.

Par la présentation des caractéristiques de l'apprentissage et des connaissances auprès d'une organisation, on aborde, de la perspective de la théorie du capital intellectuel (accumulations et fluxes de connaissances dont une organisation dispose[1]) les concepts « d'apprentissage organisationnel » et « d'organisation qui apprend » (le concept de „Knowledge Management" concerne „le management des connaissances" ou „le management à base de connaissances"). Par la transformation des ressources de connaissance, par l'identification des informations et leur distribution, on réussit à déterminer l'efficace du processus d'apprentissage. La connaissance présente plusieurs formes : englobée dans des technologies, règles, procédures;

Fixée culturellement par des perceptions rationnelles, valeurs, normes, convictions, etc ; fixée sous forme de „know – how" (aptitudes et compétences pratiques) [1]. Dans une organisation, l'efficace, la compétitivité, la satisfaction sociale sont des facteurs essentiels à l'amélioration des performances managériales.

L'approche du management de la connaissance implique, au niveau d'organisation, la codification des connaissances, leur personnalisation et la considération des connaissances en tant que ressource.

Au plan mondial, il y a plusieurs idées concernant le management de l'entreprise, de l'organisation qui indiquent aussi le fait que l'on doit prendre des décisions rationnelles et les décentraliser. Pour cela, il faut utiliser certaines méthodes et techniques de management. Quand même, elles ne suffisent pas pour créer une stratégie de l'entreprise parce qu'elle s'appuie sur la durabilité de l'avantage concurrentiel. Le succès d'une stratégie dépend de plusieurs éléments comme : l'importance de l'action, la structure organisationnelle et la flexibilité des compartiments, l'attention envers les clients, l'autonomie des initiatives, le développement de la culture et du milieu organisationnel, etc. Dans les années ´60, on a promu les stratégies de diversification et pénétration des marchés internationaux, et dans les années ´80, le mangement stratégique répond à l'implémentation insuffisante des stratégies et des plans en pratique.

Une stratégie de développement d'une organisation doit commencer par la créativité managériale, utiliser une méthodologie de recherche scientifique et inclure techniques, méthodes, modalités de stimulation et motivation du personnel pour formation continue, ouverture pour le changement, implication à la solution des problèmes de l'organisation, intégration socio - culturelle afin de promouvoir et développer la carrière.

Finalement, tout stratégie suppose l'accomplissement des suivantes actions :

- actions de réponse quant à la modification des demandes du domaine d'affaires: globalisation de la compétition, règlementations gouvernementales);
- actions offensives pour assurer la position compétitive à long terme;
- actions défensives contre les divers concurrents autochtones ou étrangers;
- modifications dans les activités concernant la manière de diriger;
- l'amélioration des performances à court terme;
- la valorisation et la diversification des voies d'obtention des revenus.

Les contradictions apparaissent au moment quand on décrit des entreprises qui envisagent un équilibre entre les activités de leur portefeuille et celles de la réalité, qui n'ont pas de directives bien fixées, mais qui s'adaptent « au cours » des changements qui surviennent. C'est pour cela que ces « voies à suivre », affin d'obtenir une stratégie, peuvent faire preuve de certaine relativité, car elles offrent seulement un support pour la réflexion stratégique.

Par la déduction et l'explication de la présente démarche, on découvre le rôle, la cause du mécanisme de l'existence et du fonctionnement de la stratégie de développement des ressources humaines, selon la nature contextuelle de son intégration. La flexibilité et la diversité théorique, par rapport à la réalité omniprésente, offrent des relations et des correspondances entre informations, théories, mécanismes, phénomènes etc.

Il y a des contradictions même à l'intérieur de la même théorie, doctrine. L'observation des contradictions apporte aussi le doute sur la pensée. De cette manière, par l'apparition de la méfiance dans diverses idées et le grand nombre des contradictions offrent un support au problème épistémologique concernant la découverte de la vérité.

Le déplacement vers l'interdisciplinarité dans l'étude scientifique est dû aux objets investigués même par leur structure, par la complexité de l'organisation de l'analyse et aussi par la logique interne du développement de la science.

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THE QUALITY MANAGEMENT - AND THE FULFILLMENT OF CONDITIONS RELATING TO THE MAINTENANCE OF QUALITY

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Abstract: This paper aims to define the objectives that you have to propose them and to follow a management organization for this to work successfully by the principles of the System Quality Management. The book deals with the purpose and objectives of an organization to meet and maintain the conditions relating to quality and to improve the quality of their activities. Also mentioned in the book are the eight principles and actions results by applying their principles by which to guide any company that wants to implement the system Quality Management.

Keywords:quality management, organization

Introduction - general considerations about the system Quality Management

Coordination and functioning of a successful organization requires the existence of a methodical and transparent management. Success depends on the implementation and maintenance of a management system designed to permanently improve the effectiveness and efficiency of the organization's performance, considering the needs of interested parties.

Because an organization to function effectively and efficiently, are identified and managed various processes intercorelate. An activity that uses resources, in order to coordinate transformation of data entry in the output data, is considered as a process. Often, the output of a process represents the data entry process to another. Applying a system processes together with the interactions between them and management processes is defined as "approach based process."

This approach, used in the system of quality management emphasize the importance of the following aspects:

a) understand and fulfill;

b) the need to consider processes in terms of "value added";

c) measure the performance and effectiveness processes;

d) continuous improvement process on the basis of measuring objectives.

In determining the process of measuring, analysis and improvement of the activity of organizations, usually intreprind following actions:

1. identify the sequence and interaction process of achieving customer requirements

2. to establish criteria and methods necessary to provide the progress of lawsuits and keep them under control

3. are provided by top management of both resources and information necessary for the conduct and monitoring processes

4. identify activities necessary measurement, monitoring and analysis and implement appropriate measures for the various processes to achieve the objectives and planned process of continuous improvement.

The proper functioning of the System Quality Management is based on a documentation covering the basis of the following documents:

• Quality Manual;

• Declaration Director General of the organization;

• The annual quality objectives;
• Procedures general and specific operational
• Documents required for the planning, operation and control processes

1. The purpose and role of the Quality Manual and documented procedures

Document the basis for the implementation of the System Quality Management at all levels of organization is the Quality Manual, the official document which presents the policy on quality and describes the structure of the quality management system and its own way it responds requirements SR EN ISO 9001, to obtain and ensure quality products and services at the level of customer expectations.

Quality Handbook is the reference document for auditing System Quality Management. The measures described in the Quality Manual, as well as those recorded in the documents referred to in the handbook were binding for all employees of the organization. Quality Manual is developed and applied for the following purposes, without however is not restricted to:

a) a description of the System Quality Management (CMS) adopted by an organization;
b) providing bases for documenting the audit SMC
c) staff training regarding conditions relating to SMC and methods of ensuring compliance;
d) the presentation of SMC for external purposes
e) demonstrate compliance with the terms of SMC on quality in contractual situations.

Quality Handbook is the document that defines the strategy of quality management in an organization and aims to ensure the correct and integral fulfillment of everything that is necessary and required, as well as through the establishment of everything that's meet, confirmation and verification of quality products delivered and services rendered, depistand and eliminating any offenses recorded and generating the necessary corrective actions.

Quality Manual addresses management organization, specialists and other employees of the organization's objectives precizand synchronization efforts necessary training and use of a uniform and modern conceptions about the quality of achievement.

Quality Handbook presents the correspondence between the SMC SR EN ISO 9001 and procedures applicable to the specific activities of the organization. In this regard, the organization must decide the Manual of Quality and related procedures by which the concepts, goals and purposes of quality management are trasmise-level management to lower levels.

The documented (Procedures General, Operational Procedures and Work instructions) of SMC formed the basis of the documentation used for planning and managing activities that affect quality. The procedures describe (with the degree of detail needed for adequate control of the activities involved) responsibilities, authorities and relations staff leads, performs, check or analyses that influence the quality of works, the way in which activities are carried out, documents to be used and methods of control applies.

2. Responsibility for management

2.1. The management

Management at the highest level assumes the commitment for the development and implementation of SMC and continue to improve its effectiveness by:

- Communication within the organization the importance of customer satisfaction requirements, the requirements of those laws and regulations;
- Setting policy on quality, taking into consideration all parties involved: the customer, employee, owner, supplier, civil society;
- Ensuring that quality objectives are established;
- Conducting tests conducted by management;
- Ensuring availability of resources;
- Act according to the processes described in the Quality Manual and development remained the SMC implemented.

Proof that top management and has assumed the commitment towards quality becomes evident in the actions taken and decisions made. Taking it demonstrates the commitment by:
a) the allocation of financial resources and time for quality;
b) attracting staff in solving problems;
c) motivating staff to achieve standards;
d) considering the observations of staff and clients;
e) feedback from clients;
f) the results of internal and external audits;
g) sustained growth of the business.

2.2. Policy organization on quality

Political organizations in the field of quality is an element of overall policy leadership organization and is documented by the Quality Manual, procedures, regulations, instructions, decisions and programs that provide methods and means to achieve the fundamental objective of the Quality Management.

To consolidate his leadership on the market, in the elaboration and implementation of quality policy as an integral part of policy organization, the organization you equally by all parties involved, namely:

a) Clients:

Based on the progress of orders and contracts, with faithful observance of the conditions on time, price, notification time, and the multitude of services and customer satisfaction, the organization aims to ensure the stability of traditional and attracting new ones.

b) Employees:

By selecting, training, specialization, the commitment and adaptability of employees, the company aims to constantly ensure their satisfaction and quality of services provided at a level as high.

c) Providers:

Top management of the organization for more careful selection of suppliers and construction of stable relations with them, so that the level of services provided match the quality standard followed by the organization and to ensure full satisfaction of customers.

d) *Shareholders:*

The whole activity of the organization aims to increase real profit in a position to ensure constant development of the organization and an adequate margin of dividends distributed annually to shareholders.

d) Civil Society:

The work of the organization conducted in accordance with Romanian and international regulations in force and the maintenance of good relationships with government authorities and local state, as well as public organisations and NGOs.

2.3. The Quality Management

Knowing that a principle of quality management is a comprehensive and fundamental rule governing and running an organization, which aims to continuously improve our performance in the long term, which are in the customer satisfaction and take them into account at the same time and needs Shareholders and employees' organization, management at the highest level of organization to apply its current activities in the "eight principles of the Quality Management" namely:

Principle 1: "GUIDELINE TO CLIENT"

The organization depends on its clients and therefore must understand the needs of current and future customers, meet clients and the entrance hall to overcome customer expectations:

Applying this principle leads to implementing the following actions:

- Understanding customer needs and expectations for service, product delivery, price, etc..
- Ensuring a balanced approach between the needs and expectations of customers and other factors involved (owners, personnel, suppliers, the local community, civil society in general);
- Communication of these needs and expectations throughout the organization;
- Measuring customer satisfaction through the actions of evaluating customer satisfaction.

Principle 2: "LEADERSHIP"

Leaders establish the unity of objectives and direction of the organization. They must create and maintain internal environment so that staff can be totally involved in fulfilling the objectives of the organization.

Applying this principle leads to implementing the following actions:

- To understand and respond to changes made in the external environment organization;
- To take account of the needs of customers, owners, personnel, suppliers, the local community and society in general;
- Establish a clear vision of the future organization;
- Establish values and models followed at all levels of the organization;
- To build confidence;
- Ensure freedom of staff and resources necessary to act with responsibility;
- To inspire, encourage and recognize the contributions of personnel;
- Promote an open and honest communication;
- Educate and train personnel;
- Set ambitious targets.

Principle 3: " THE INVOLVEMENT OF STAFF"

Staff at all levels is the essence of the organization, and the involvement of total allow the skills and knowledge that will be used for the benefit of the organization.

Applying this principle leads to the implementation by staff following acts:
- Looking for opportunities to improve the activity;
- Active involvement in the search for opportunities to improve their competence, knowledge and experience;
- The free sharing of knowledge and personal experience in the team;
- Focus on creating added value for the customer;
- The application of innovation and creativity in promoting the objectives of the organization;
- Representing the best organization in front of customers, the local community and society in general;
- Obtaining satisfaction of their own work.

Principle 4: "APPROACH ON BASIS OF PROCESS"

A desired result is achieved with much efficiency when eferente resources and activities are managed as a process.

Applying this principle leads to implementing the following actions:
- Defining the processes necessary to obtain the desired results;
- The establishment of clear responsibilities and authority for the management and execution process;
- Assessment of risks, consequences and the possible impact of the process on the customer, supplier and other factors involved;

Principle 5: "APPROACH AS A SYSTEM OF MANAGEMENT "

Identifying, understanding and managing merged system interdependent processes for a given objective, improving the effectiveness and efficiency of the organization.

Applying this principle leads to implementing the following actions:
- Defining the system by identifying or development processes that affect a given objective;
- Structure the system to fulfill the objective in the most effective way;
- Understanding the relationships between processes;
- Continuous improvement of the system through measurement and evaluation;
- Establishing the necessary action before.

Principle 6: “ IMPROVING CONTINUING "

Improvement must continue to be a permanent objective of the organization.

Applying this principle leads to implementing the following actions:
- Continuous improvement of products, processes and the system becomes the target of each individual organization;
- The use of periodic evaluation against the criteria established to identify areas where there is the possibility of improvement;
- Continuous improvement of the efficiency and effectiveness of all processes;
- Promoting actions based on prevention.

Principle 7: "APPROACH ON BASIS OF FACTS IN ADDRESSING DECISIONS"

Effective decisions based on analysis of data and information.

Applying this principle leads to implementing the following actions:
- Making measurements and collecting data and information relevant to the objective;
- Ensuring that data and information are accurate, accessible and reliable;
- Analysis of data and information using validated methods;
- Understand the importance of statistical techniques;

- Decision-making and implementation of actions on the basis of the balance between logic analysis, experience and intuition.

Principle 8: RELATIONS WITH RECIPROC ADVANTAGEOUS WITH SUPPLIER "

An organization and its suppliers are tied by a relationship of dependency, and a mutually advantageous relationship grows ability both to create value.

Applying this principle leads to implementing the following actions:
- Identification and selection of key suppliers;
- Creating a clear and open communication;
- Initiate joint development and improvement of products and processes;
- Knowledge shared information and future plans;

Conclusion

Because an organization to operate in the System Quality Management is necessary for top management to do in such a way that this organization will be oriented primarily to the client:

1. defining and promoting the processes leading to performance improvement organization;
2. managers and ensuring effective and efficient control of the processes as well as measures and data used to determine the proper performance of the organization;
3. orientation to continuous improvement;
4. the use of periodic tests to assess improvement processes.

Policy on quality is mandatory for the entire staff of the organization at any level, each member of the organization must be aware that any departure from the policy on quality leads to loss of material resources, financial and time.

The organization aims to achieve the following key objectives:

a) to continuously improve the quality of their activities, so that we constantly meet the needs expressed and defaults to its clients and other interested parties;

b) to give reliable management and staff as the organization are met and maintained the conditions relating to quality and that are developed continuously improve the quality of their activities and the results of these activities.

c) to give confidence to customers and other interested parties, as the products delivered and services rendered will qualify on quality.

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UNDERSTANDING THE NUTRITIONAL LABEL – THE WAY TO A BALANCED DIET

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Abstract: Foods that we consume have a powerful influence over our health and over the possibility of appearance of some diseases, some of them very serious. To adopt correct decision regarding his diet, every consumer must know how to interpret the information registered on the food label.
The laws for food labelling introduced some criteria for nutritional mentions. At the beginning of the ’80 years, nutritional label was just a marketing technique used by the producers, but in our days it became an imperative for correct and complete information of the consumers.

Keywords: nutritional label, diet

By definition, a balanced diet refers to intake of appropriate types and adequate amounts of foods and drinks to supply nutrition and energy for the maintenance of body cells, tissues, and organs, and to support normal growth and development.

Generally, a balanced diet must include [6]:

- Sufficient calories to maintain a person's metabolic and activity needs. For most people the recommended daily allowance of energy is 2,000 calories (but it depends on age, sex, height, weight, and physical activity.
- Sufficient quantities of fat, including monounsaturated fat, polyunsaturated fat and saturated fat (the recommended daily allowance of fat is 65-80 grams).
- Maintenance of a good ratio between carbohydrates and lipids (4:1).
- Avoidance of excessive saturated fat (20grams recommended limit, although the
- Avoidance of trans fat.
- Sufficient essential amino acids ("complete protein") to provide cellular replenishment and transport proteins. All essential amino acids are present in animals. A select few plants (such as soy and hemp) give all the essential acids.
- Essential micronutrients such as vitamins and certain minerals.

Production and distribution modernization in the food field regards the necessity to declare the nutritional value in a large gamma of alimentary goods. In present, more and more companies try to find expressive and convincing modalities to declare the nutritional value for current and generalized consumption food.

A step ahead it is made by the companies which, along with the mentions regarding the energy and principal nutrients, inscribe the % Daily Values for some important nutrients and the recommended daily quantities for proteins, vitamins and minerals (figure 1).

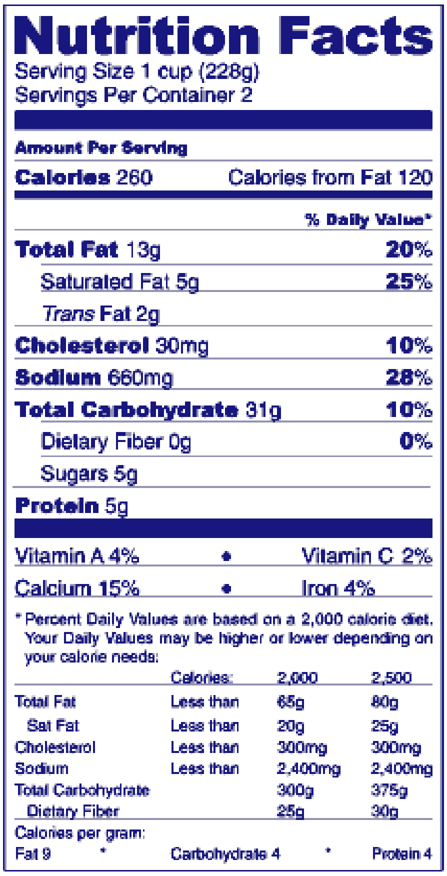

Fig. 1 – *Nutritional label (example)*
Source: Barbara Brown -*Update on the Food Label,* Oklahoma Cooperative Extension Service, 2005

The information in **top part**, can vary with each food product. In general, it contains product-specific information (serving size, calories, and nutrient information).

Required information on the Nutrition Facts panel [7]:

- Total calories;
- Calories from fat;
- Total fat (saturated fat and t*rans* fat);
- Cholesterol;
- Sodium;
- Total carbohydrate (dietary fibber, sugars);
- Protein;
- Vitamin A
- Vitamin C
- Calcium
- Iron

The % Daily Values (DV) is based on the recommendations for key nutrients but only for a 2000 calories daily diet (not for 2500 calories diet). Many consumers not know how many calories they consume in a day, but they can still use the % Daily Values indicated on the label as a reference, whether or not they consume more or less than 2000 calories.

The % Daily Value helps consumers to determine if a serving of food is high or low in a nutrient. A good rule is the following: a % DV of 5 % or less indicates that food is low in the nutrient. If the % DV is 20 % or more it is considered high in that nutrient [9].

Experts in nutrition recommend choosing foods with higher % DV for fibbers but lower % DV for fat, especially saturated fat, sodium, sugar and cholesterol.

- ***Serving Size.*** *The amount of each nutrient is based on serving size. Serving sizes also help people understand how much they are eating.*

- **Total calories and Calories from Fat.** The total number of calories shows the amount of energy in the food. The calories in a food come from fat (9,3 kcal/g), protein (4,1 kcal/g) and carbohydrate (4,1 kcal/g). We must pay attention to calories because if you we eat more calories than our bodies uses in a day, we might gain weight. Another important part of the label is the number of calories that come from fat. Consumer must be interested in, because it's good to limit fat intake to about 30% of daily calories [8].

- **Trans fat.** This type of fat is made by the hydrogenation process, when hydrogen is added to vegetable oil. In this way, liquid oils are made into solid fats (like shortening and hard margarine). Through this process the shelf life and flavour stability of foods are increased. *Trans* fat along with saturated fat and dietary cholesterol raises the LDL cholesterol that increases the risk for coronary health diseases. *Trans* fat can often be found in processed foods made with hydrogenated or partially hydrogenated vegetable oils such: margarines, crackers, candies, cookies, snack foods, fried foods etc. [2], [4].
  To achieve a balanced diet, health experts recommend that consumers keep their intake of saturated fat, trans fat and cholesterol as low as possible. It is recommended to replace saturated and trans fat with monounsaturated and polyunsaturated fats, found in fish, nuts and liquid vegetable oils.

- **Sodium.** Research shows that eating less than 2,300 milligrams of sodium per day may reduce the risk of high blood pressure. Most of the sodium that people eat, comes from processed foods. That why, consumer must look for foods high in potassium, which counteracts some of sodium's effects on blood pressure. Sodium (along with cholesterol) is included on the label because some people should limit the amount in their diets.

- **Total carbohydrates.** Carbohydrates are the body's primary source of energy. The total carbohydrates are broken down into grams of sugar and grams of dietary fibbers. Healthy source of sugar, like fruits, vegetables, beans and whole grains can reduce the risk of heart disease and improve digestive functioning. To achieve a balanced diet it is necessary to avoid food with added sugars (sucrose, glucose, fructose, corn syrup), which add calories but not the important nutrients, like vitamins and minerals [5].

- **Proteins.** They are the basis of body structures. They are composed of amino acids, which are classified in terms of essential and non-essential. Protein which contains the essential amino acids is a complete protein source, one missing one or more is called incomplete. It's possible to combine two incomplete protein sources (eggs, rice and beans) to make a complete protein source. If the food label contain a claim for protein (such as "high in protein"), a % Daily Values is required to be presented. Otherwise, this information is not needed [7].

➢ **Vitamins and minerals**. These four components (two vitamins – vitamin A and Vitamin C – and two minerals – Calcium and Iron) are highlighted because they often are not enough in our diet. The goal for every consumer must be up to 100% for each of these.

Nutrient Content Claims

To describe the level of a nutrient in a food, sometimes it use some terms, like: free, low, reduced, less (table 1).

Table 1 - *Nutrient Content Claims*

Nutrient content claims	Description	Example
Free ***(without, no, zero)***	This term means that a product contains no amount of one or more of these components: fat, saturated fat, cholesterol, sodium, sugars, and calories.	calorie-free - fewer than 5 calories per serving sugar-free - less than 0.5 g per serving fat-free - less than 0.5 g per serving
Low	This term can be used on foods that can be eaten frequently without exceeding dietary guidelines for one or more of these components: fat, saturated fat, cholesterol, sodium, and calories.	low-fat - 3 g or less per serving low-saturated fat - 1 g or less per serving low-sodium - 140 mg or less per serving very low sodium - 35 mg or less per serving low-cholesterol - 20 mg or less and 2 g or less of saturated fat per serving low - calories - 40 calories or less per serving.
Reduced	This term means that a product contains at least 25 percent less of a nutrient or of calories than the regular product.	

Source: adaptation after Barbara Brown -*Update on the Food Label,* Oklahoma Cooperative Extension Service, 2005

In the Nutrition Facts panel can appear some **optional components.** If a claim is made about any of the optional components, or if a food is fortified or enriched with any of them, nutrition information for the components becomes mandatory [1]:

- calories from saturated fat;
- polyunsaturated fat, monounsaturated fat;
- potassium;
- soluble fibbers, insoluble fibbers;
- sugar alcohol (for example, the sugar substitutes xylitol, mannitol and sorbitol);
- other carbohydrate (the difference between total carbohydrate and the sum of dietary fibbers, sugars, and sugar alcohol if declared);
- percent of vitamin A present as beta-carotene;
- other essential vitamins and minerals.

The **bottom part** of the nutritional label contains a footnote with recommended Daily Values for 2000 and 2500 calorie diets. This footnote provides recommended dietary information for important nutrients, including fats, sodium and fibbers.

These Daily Values for each nutrient listed are based on public health experts' advice. We must notice that for some nutrients the Daily Values change, but for others (such cholesterol and sodium) remain the same for both calorie amounts (2000 and 2500).

The footnote is found only on larger packages and does not change from product to product.

Conclusions

Consumer must choose the types of foods that improve his health and avoid the types of foods that raise the risk for such illnesses as heart disease, cancer, and diabetes. It is necessary to learn how to use the nutrition label for creating a balanced diet as a first step to a healthy life.

The nutrients listed first are eaten by consumers even too much. Eating too much fat, saturated fat, *trans* fat, cholesterol, or sodium may increase the risk of certain chronic diseases, like heart disease, some cancers, or high blood pressure.

On the other side, most consumers don't get enough dietary fibbers, vitamin A, vitamin C, calcium, and iron in their diets. Eating enough of these nutrients can improve the health and help reduce the risk of some diseases. For example, getting enough calcium may reduce the risk of osteoporosis. A diet rich in fruits, vegetables, and grain products that contain dietary fibbers, and low in saturated fat and cholesterol may reduce the risk of heart disease.

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THE FUNCTIONS OF FINANCIAL INTERMEDIATION - A SURVEY

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Abstract: Traditional theories of intermediation are based on transaction costs and asymmetric information. In recent decades although transaction costs and asymmetric information have declined, intermediation has increased. New markets for financial futures and options are mainly markets for intermediaries rather than individuals or firms. In this paper we survey the last theoretical and empirical research on financial intermediation and functions of financial intermediation. We discuss the functions of intermediation in this new context.

Keywords: financial intermediation, asymmetric information, survey

1. Introduction

The theory of financial intermediation primarily analyzes the functions of financial intermediation, the way the intermediation affects the economy, and the effects of the government policies on the financial intermediaries. In this paper we will survey the theoretical and empirical research which analyze especially the functions of financial intermediation.

2. The theory of financial intermediation

Theories of financial intermediation are in general based on the allocation of capital in an economy. The field of interest has gradually shifted from explaining the existence of financial intermediaries to describing their behavior. Part of this role is related to embedding financial intermediaries in the general capital structure theories. With capital structure and financing, the seminal work of Miller and Modigliani in the 1950s which stated that capital structure does not matter (a fact disputed by actual observation) set off a stream of research mitigating the extreme consequences of this theory. Within investments, the efficient market hypotheses and the Capital Asset Pricing Model developed in the 1970s led to the conclusion that active investment policies should be rendered useless within efficient markets. This took more than twenty years to repute, and discussion is still going on.

The development of financial intermediation theories, prodding along the same path, seems to have evolved along a similar path. The main question has been: if the allocation process of markets is efficient, why is there a need for financial intermediation? Two converging routes have been taken on this subject. If the allocation process of markets is less than perfect, what value does a financial intermediary offer in such a circumstance? On the other hand, what does a bank actually do, and is this a function which can be solely done by a financial intermediary (what is the uniqueness).

Literature on the subject has been steadily growing since the 1970s with the introduction of information asymmetries and agency costs [1]. Informational asymmetries lead to the existence of financial intermediation [2]. When aiming to reduce monitoring costs to resolve incentive problems between borrowers and lenders, [3] showed that financial intermediaries reduce these costs through diversification. [4] extended the role of financial intermediation and deduced that financial intermediaries arise when agents' private information is to be allocated efficiently. Developments in real markets have set their mark on financial intermediation theories too. [5] viewed the new markets for derivatives as mainly markets for financial intermediaries. A new role arose for financial intermediaries which is difficult to reconcile with aforementioned "traditional" financial intermediation theories, they concluded that risk had to be more strongly incorporated into financial intermediation theories.

[6] found that "there is no need for financial intermediaries in a perfect capital market, so that the existence of financial intermediation can be explained as the optimal response to capital imperfections". There has to be a technology in the credit market to (partially) overcome one or more of these imperfections, and this technology must display some economies of scale or scope leading to the concentration of these activities in a limited number of agents, i.e. financial intermediaries. On a macro-economic scale, [7] viewed financial intermediation as "the complex process through which the differing needs of the ultimate savers and ultimate investors are reconciled". [8] narrowed financial intermediation down to the "specialization of an economic agent in the activities of buying and selling (at the same time) financial contracts and securities".

A financial intermediary therefore exists because the risks and costs of organizing financial intermediation activities through a company are expected to be lower than if these activities are organized and carried out through open markets [9]. This argument raises two questions: what are these risks and costs and how can they be lowered, and just how important are these risks and costs?

One way of analyzing market imperfections and the resulting type of financial intermediation is done by emphasizing the relationship between balance sheet items of a financial intermediary {[10]; [6]}. Combining assets and liabilities, risk reduction can first of all be achieved through the insurance principle which is essentially a combination of the law of large numbers and modern portfolio theory. Because of the low correlation between withdrawals by depositors (liabilities) and loans (assets), the financial intermediary could be modeled as a portfolio manager in accordance with the modern portfolio theory. The law of large numbers also has its impact on the second element of risk reduction, liquidity insurance. Provided that random changes of cash needs are not perfectly correlated between households, the total cash reserve needed by the financial intermediary will rise proportionally less than the need of the individual household. The financial intermediary can take advantage of this liquidity insurance by providing enough ready available cash to provide those random needs, and using the excess wealth to extend loans. Thus liquidity insurance is also one of the funding elements of asset transformation.

A financial intermediary must have technology and economies of scale and scope resulting in a cost advantage to overcome market imperfections, notably through the potential reduction in transaction costs and asymmetric information. [11] divides costs into contract costs, exchange costs and information costs. Administration, (re)negotiation and bonding costs are all associated with contract costs. Exchange costs are related to the purchase of goods and services. Providing checking accounts to do payments not only lowers risks but also the costs. Transformation costs refer to costs of generating information necessary for financial transactions: searching, administrating, monitoring, screening and verifying.

Cost advantage to overcome market imperfections, through the reduction of transaction costs, has not been enough to solely base the existence of financial intermediation on, especially if one takes into account that most aforementioned measures of cost must have fallen dramatically over the last decades through deregulation and advances in information technology. As a response the subject of informational asymmetry as a cause of monitoring costs has grown in importance. Informational asymmetry exists because firm managers are assumed to possess private information about the characteristics of their firm's expected results that investors do not have [11]. Asymmetric information about the prospects of the firm can lead to different objectives that were not agreed upon when drawing up the financial contract. The costs associated with realigning these different objectives can be partially mitigated by the firm itself (signaling) and by the financial intermediary. Financial intermediation can therefore be modeled as a natural response to the existence of asymmetric information.

With asymmetric information, financial intermediaries are viewed as information sharing coalitions and delegated monitors who act on the depositor's behalf [12]. Once wealth is redistributed households should monitor further activities of the firm, at least to ensure loan redemption. Any household would have to devote a considerable amount of time and money to collect sufficient information to assess what the firm is undertaking. The household would be better off if it could delegate the resulting monitoring and transaction costs. The financial intermediary is the logical choice to delegate this to since it has more information about the firm than households and it has the possibility to apply experiences with other firms to good use with credit rating. The financial intermediary becomes 'an expert in the production of information so that it can sort out superior good credit risk from bad ones' [11].

Authors reviewing the theories of financial intermediation usually note that the theoretical framework is not yet coherent and still under construction. A topic of increasing importance, as a reflection of the day-to-day activities of financial intermediaries, is the changing role of financial risk. [5] suggest that the theoretical role of financial intermediaries as reducing costs and asymmetric information is too strong. In their view financial intermediaries are "facilitators of risk transfer and deal with the increasingly complex maze of financial instruments and markets". Since the 1970s there has been a steady flow of new derivative related financial instruments all designed to transfer or (re)distribute risk [5].

The financial intermediary can eliminate or avoid risk by business practice such as underwriting standards, due diligence procedures and portfolio diversification. Risk can also be directly transferred to market participants by creating offsetting transactions. Most important is the risk inherent to the activity of a financial intermediary resulting from transforming short-term liquid assets into long term illiquid liabilities.

[11] agree with central role of risk management for a financial intermediary but argue that risk management traditionally always has been the central theme of financial intermediation, while [5] attribute the increasing role of risk management to the growing importance of new financial instruments. Risk transfer and management is best viewed as an entrepreneurial activity; to place this in a proper context [13] suggest that financial intermediation theories should be amended: "It should […] assume a more dynamic concept in which new markets are developed for new products, where financial institutions do not act as 'agents' who intermediate between savers and investors and thus alleviate 'market imperfections' like asymmetric information and participation costs, but are independent market parties that create financial products and whose value added to their clients is the transformation of financial risk, term, scale, location, and liquidity".

3. Functions of financial intermediation

An attempt to define the business of a financial intermediary encompasses the problem of timeliness: the activities of a financial intermediary have changed or are changing so rapidly that it is also preferable to define functions which seem to be more stable, opposed to a focus on the institutions relating to a financial intermediary.

Different functions have been defined for financial intermediaries, the basic functions for financial intermediation, brokerage and asset transformation, are forwarded [12] and [14]. [8] name four different functions, 1) access to payment system, 2) asset transformation, 3) risk management, 4) processing information and monitoring. [15] recognize seven different functions for the financial system: 1) access to payments system, 2) pooling and distributing resources, 3) transfer economic resources, 4) risk management, 5) provide information, deal with incentive problem. The comparison of functions between the authors is of course a subjective one, where finesses posed by the authors may have been ignored. Some authors use brokerage and asset transformation to encompass all functions.

The basic functions of financial intermediation are:

A) Offering access, and provide payment system

In the presence of transaction costs, it is generally more efficient to exchange goods and services for money rather than for other goods and services, like in barter operations [8]. *Payment systems* can be viewed as networks that facilitate the transfer of funds between the bank accounts of households and firms. The facilitation takes place through clearing, the processing of payment instructions, whereas settlement refers to the actual transfer of funds [16]. The safety and efficiency is a fundamental concern for governments and central banks.

B) Brokerage

The *brokerage function* is perhaps the narrowest definition one can give to financial intermediation: the specialization of an economic agent in the activities of buying and selling (at the same time) financial contracts and securities [8]. Full service brokerage firms carry out research and make recommendations to their clients. They purchase and sell on commission fees. These activities decrease monitoring and transactions costs. More specialized firms only perform the purchase and sell activities.

C) Transformation of assets

Asset transformation by a bank is also a crucial function. Due to differing needs of buyers and sellers the characteristics of the contracts or securities issued by firms are in general not compatible with the needs of the investors. The consequences of these differing needs are resolved with asset transformation: the financial intermediary issues financial claims which are more appealing to saving households than the claims directly issued by firms [12]. Banks typically must hold these contracts in their balance sheets until they expire: the contracts are non-marketable.

Any asset transformation can be unbundled into a combination of one or more of the following types of transformation: convenience of denomination, quality transformation and maturity transformation. The bank can change the unit size (denomination) of the financial claim in a way that is most convenient for its clients. There is an incentive to venture into quality transformation when banks have better information about the loans than the outsiders. Issuing a claim in its own name then offers a return/risk profile which closer approximates that of the perceived profile than outright securitization. Maturity transformation has the most far-reaching consequences. The maturity transformation relates to the difference in holding period preference between firms and households. A household has compelling reasons not to offer its total amount of excess savings to firms. For example, it can have a precautionary motive to hold more money than required for current transactions because of unforeseeable events. Furthermore time preferences can differ. The inter-period transfer of wealth (pensions, life insurance) is a strong motive to do so.

D) Managing risk

Most of the functions of a bank incur some kind of *risk* which the bank has to manage. On an operation level credit risk occurs when loans are or become more risky: the probability of default increases. In general, when loans are more risky, the necessary contracts should be more exhaustive since issues like risk aversion and moral hazard play an important role. Higher monitoring and bonding costs are the result. Besides credit risk the territory of risk can be broadened to interest, liquidity and balance sheet too. The interest rate risk is due to the difference in maturity. Mismanagement of interest rate risk can have severe repercussions for the soundness of a bank. Liquidity risk takes place when a bank faces an unexpected number of withdrawals. When this happens liquidity insurance is de facto declared void. A recent phenomenon is off balance risk: instruments that do not correspond to a genuine asset or liability for the bank but are expected to generate a random cash flow.

E) Process and provide information

The final function relates strongly to the monitoring function on behalf of the information sharing coalitions: *processing and providing information* as the delegated monitor for depositors. This entails the management of some of the problems resulting from imperfect information. A bank has also other motives to process and provide information. Recently the emphasis is gradually shifting to fee based income from interest- based income. The basis for fee-based income is the (re)packaging of information. Processing and providing information then becomes a firm intrinsic goal, instead on behalf of stakeholders.

Another authors distinguishes between the following functions of financial intermediation: (i) the reduction of transaction costs; (ii) the reduction of liquidity risk; (iii) the information provision; and (iv) the debt renegotiation. The first of these functions concerns the problem of accessibility of financial markets for households/individuals and for firms. The second and the third functions concern the services the banks offer to savers, which cannot be obtained from financial markets. The last function is discussed in the literature starting in the late 1990s and concerns the services a bank offers to its borrowers rather than to depositors.

Concluding remarks

Of course, in the ideal world of frictionless and complete financial markets, both investors and borrowers would be able to diversify perfectly and obtain optimal risk sharing. But as soon as one introduces indivisibilities (even small) and nonconvexities in transaction technologies, perfect diversification is no longer feasible and financial intermediaries are needed. Costs, especially in transacting, information gathering, and contracting, asymetric information structures, and regulation are the main categories of market imperfections held responsabilities for financial intermediation. Financial intermediation involves the transformation of financial assets and liabilities, be they tangible, intangible, contingent, with respect to place, scale, maturity and risk.

Theories of intermediation need to reflect and account for the fact that financial systems in many countries have changed substantially over the past thirty years. Over this period many traditional financial markets have expanded and new markets have come into existence. Transaction costs have fallen and information has become cheaper and more available. However, these changes have not coincided with a reduction in intermediation. In fact, quite the reverse has happened. Intermediaries have become more important in traditional markets and account for a very large majority of the trading in new markets, such as those for various types of derivatives. Standard theories of intermediation based on transaction costs and asymmetric information are difficult to reconcile with the changes that have taken place. Participation costs are crucial to understanding the current activities of intermediaries and in particular their focus on risk management.

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TH E BASIC INSTRUMENT OF ACCOUNTING INFORMATIONAL SYSTEM IN THE PROCESS OF ASSISTING DECISIONS

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Abstract: Corporate governance is a phenomenon with much attention from the media lately, and refers to the transparency of transactions and monitoring system of internal control to ensure the ability of possible risk assessment, to give an extra safety management organization to implement set strategies. Numerous researches on the behavior of institutional investors and private markets in development identified, however, that 80% of investors agree to pay extra for the enterprises with an effective system of corporate governance.

Its interaction with the environment in which they operate creates the need for objective information and relevant, whose satisfaction requires a suitable offer. Information produced in an organized way by accounting practitioners in the economic entity, should be useful for all users of accounting, for which distribution should be constituted in a rational and dynamic result of negotiation and compromises between the entity and external factors.

Keywords:accounting, informational system, decisions

1. Information accounts between supply and demand

The method of confrontation and adjustment of supply and demand of accounting information means the information in this field. In this context, the application information is represented by the information needs of different users, and the pressure that they exert on the information they generate and on the other side of the barricades, offer information means all information obtained in the accounting information system, Available for different user groups and forms and routes of transmission.

Regarding the first factor, we express the view that uncertainty is a permanent component of the process of decision-making so that it exists in relation to future profitable entities, quality management, and the ability of a third party to meet its contractual obligations.

Regarding the second factor, accounting information is not the only source of information available for groups of users; there are many other ways to monitor the work of its managers. Thus, managers, creditors and financial analysts can provide information about its activities, non-financial information such as reports on production and physical details of the actions can be used to analyze the behavior of managers, individual managers can contribute to monitoring each other.

Financial objectives have evolved over time and we can say that they were subject to the specific objectives of the accounting system of each country and users required accounting information. In this context, mention that the objective reporting periodically carried out through documents synthesis is very complex, and the fact that beyond satisfying the requirements of investors and aid given to managers in the management entity, they must respond to other needs and to ensure correction of accounting estimates and assessments.

2. Clear delimitation in the accounting system

Optimal recovery of economic information is possible only in the information systems of companies whose basic function is the vehicle of a rational amount of information on which to be taken economic well-reasoned decisions on all organizational steps. The main data source of the information system of economic entity, and, at the same time, one of the basic components thereof, is accounting" [IV].

Type of organization and operation of the accounting company is differentiated mainly in relation to the adopted accounting concept [II]. The report of the two accounting cultures: European and Anglo-Saxon, you can use two organizational concepts, and tier two-tier. Tier where there is organize a single circuit accountant, a single accounting. Two-tier, if the two sides are organized, but separate correlated accounts. In Romania, there are two sections of accounting: financial and managerial.

The point of view of specialists in the field of science is that of a structural system of accounting to define the two frameworks: conceptual and practical [V]. Conceptual framework underlying the subsystems of the framework and practical knowledge to turn a breakdown in conceptual cognitive subsystem, which includes the theories, principles, techniques and methods of accounting, regulatory conceptual subsystem, which includes rules, general rules adopted by the professional body in accounting. On its turn, the applicative frame knows the following breakdown:

- **general or financial accounting** , is general and oriented towards the outside, to users of accounting information such as creditors, investors, trading partners, state, etc.. This allows the registration an economic agent’s economic activity in order to obtain the annual accounts.
- **accounting management,** is analytical, oriented entities and the main objective is to calculate costs.
- **accounting for inflation** allows accounting restatement information expressed in historical costs, un current or present costs.
- **accounting estimate or budget**, dealing with obtaining documents and accounting provisions of plans and budgets starting from the forecasts.
- **environmental accounting**, aims to achieve an ecological balance. The main steps in achieving such a balance are: inventory flows of raw materials and energy, the interpretation of such information, evaluation results observed in comparison with the reference, which produces a positive or negative assessment of the system studied. It uses accounts in which mutations are passed according to environmental criteria.
- **national accounts,** dealing with collecting and processing data at the macroeconomic level in order to achieve macroeconomic indicators.

3. Taking decisions on the basis of accounting information

Accounting cycle refers to all stages which are necessary for the implementation of procedures and accounting methods during a financial year.

Accounting is regarded as a subsystem of information that economic record all financial transactions in chronological order and systematic, after providing the processing of specific information likely to meet the needs of different categories of users. Under the incidence of accounting enter only facts that can be expressed in monetary terms. Stages of a manual accounting system could be represented by drawing up primary documents first, and then data and information in the accounts based on these primary documents, transferring data in the log book, great book, preparing the trial balance and making necessary adjustments. And finally preparing financial reports and their transmission to users.

Operations within a period of management are grouped into three main circuits: operation, financing and investment. Each circuit in part corresponds to operations with a greater or less repetition.

3.1. The accounting circuit specific to the exploitation operations

In the category of exploitation operations are included purchases, sales, third parties (including employees) revenue and expenditure. During these operations, there are delimited the following accounting circuits:

- •stocks: acquisition, transfer, consumption, acquisition, sale, special operations.
- party providers: the reception, payments, compensation, transfers.
- third - customers: billing, collection, clearing transfers.
- third - personal and social bodies: record debt, compensation, payments, special operations.
- third - budget: record debt, compensation, payments, special operations.
- other third parties: creating debt-claim, compensation-adjustments, pay receipts, special operations, revenue and expenditure: most are against the accounting circuits above, and other circuits in accounting or finance investment.

A common problem faced by managers of production companies is whether it should produce or buy some of the components used to assemble the product. So it appears the problem of identifying the costs of each alternative and their effects on incomes and expenses and to select the most profitable option. The factors to be taken into considered for such analysis are [I}:

To produce means:

- a need for additional equipment;
- a variable costs related to production asset;
- a fixed marginal cost.

The purchase means we think:

- a purchase price of the article;
- an income from rents or net cash flow generated from the release area of production;
- a residual value of unused equipment.

The Management often faces decisions on special orders, that is to decide for acceptance or rejection of special orders for products at prices lower than the normal market prices. Typically, these special orders contain a large number of similar products to be sold in lots. Since management has not provided such orders, they are not included in the annual estimates on the costs or sales, and because these events represent a single command, they should not be included in the estimates of expenditure and income for the period. The company must take into consideration only if there is unused production capacity.

Analysis and maximizing profits are possible only when profitability is known to all product lines. The problem is which of the products contribute most to company profitability compared to the amount of capital assets or other resources necessary to produce them. To answer this question, the accounting must determine the margin contribution for each product, and then must calculate a series of reports of margin contribution and value of capital equipment or other necessary resources. After going through this phase, management should require a marketing study to determine the limits of higher demand for the most profitable product. If profitability of the product can be calculated and on the market there is demand for these products, management should focus on the production of more profitable products. Many types of decisions may be related to the approach outlined above.

3.2. Accounting circuits specific to investment operations

The essential feature of the decisions is the time factor. The investment involves an expenditure of some economic value, usually in cash, in a certain time, it is expected that this expense to the investor bring economic benefits, in another moment the future. [III]

Decisions on investments tend to be important entity for the following reasons:

- often involving resources in large quantities. Many investments made by an entity presume the pursuit of a significant part of its total resources. If the decision is wrong, its effects can be significant, if not catastrophic.
- often it is difficult and / or expensive to withdraw from an investment after it started. Often, the investments made by investors are specific to their needs. For example, investment in a firm arrangement with a specific object of activity could become without a great value at the time of the sale to a firm with another object of activity.

Drawing a problem investment strategy involves defining the coverage of the concept of "strategic management". This approach involves practical to build the favorable situation in terms of uncertainty. So, can the question "How can investments contribute to improving the investment situation of a strategic and what is needed to maintain this situation?" To answer this question must be taken into account the effects of decomposition strategy, following the level and nature of the changes caused.

If we count on the nature of exchanges arising from an investment process, so the dynamic character of this, it is important to determine the effect of investments, which may be a consolidation of existing situations or on the contrary, the promotion of economic growth.

If possible try to establish a border between uncertain and unpredictable, so certainly we can not achieve it only with the calculations, but on the basis *of makers'* reasoning.

3.3. Circuits specific accounting operations funding

Financing operations concern in particular the structure of the entity capitals through the balance of their own capitals and borrowed dividend policy and financing decisions. Under these circumstances the Treasury is directly affected:

- intake of shareholders;
- the incurred financial liabilities.

There is an indirect impairment through the treasury operations of the bank accounts of specific operations exploitation by profit-making or loss of operation.

4. Conclusions

To facilitate the interpretation of financial, accounting, information tenderness accounting is based on the following principles: comparability and permanent methods, the relative importance, prudence, good information, feasibility.

a. comparability and permanent methods

One of the features that make accounting information most useful is comparability. Information relating to an entity is most useful if it can be compared to similar facts relating to this entity in different periods of time or on another entity for the same period.

Comparability means that the information is presented so that decision-makers identify similarities, differences and developments that characterize periods of time or different entities. The consistent application of certain methods of quantification and accounting processes is very important to ensure comparability.

The principles of consistent methods require that a certain accounting method, once adopted to continue being used during an exercise, and any change of method to be notified to the users of accounting information. If it is decided that a particular technique is inappropriate and should be changed to require that amendments to be passed in the annex.

b. relative importance (the threshold of significance)

The threshold of significance refers to the importance of an item. If an item is important, it means that it is relevant for users of financial reports. If an item will influence the decisions of users of financial reports it had considered a relative importance. Accountants are those who appreciate the relative importance of various elements, and users of financial reports on the fairness and accuracy of this judgment.

c. prudence

The principle of prudence can be a useful tool in questionable cases, but its abuse leads to the development of financial reports that are incorrect and false. Accountants must use the convention of prudence only when there is a doubt with regard to the accounting process to be applied.

d. good information

The principle of good information requires that financial reports and annexes to submit all relevant information to know them by their users. Accounting information must provide all the necessary explanations to be interpreted wrong.

e. feasibility

The principle underlying the feasibility of all the qualitative characteristics and other conventions. He says that the benefits brought by the provision of new accounting information must be greater than the costs related thereto.

Nearly all entities have initiatives related to the quality of their products and services. Concern for the increased quality should be directed to the accounting products to its final accounting reports and accounting process to production accounting information.

Building a correct decision is dependent on the quantity and quality of information provided by accounting information system. Financial accounting value of the information depends on its impact on future decisions.

The picture presented by the entity through accounting reports and the quality of accounting information depend on the professionalism and objectivity producers of accounting information, but also the perception correct message sent through accounts by users of information, qualities and understanding of the power receiver, its capacity to understand and put them into practice.

The quality in accounting depends on certain factors including the mention: the organization of the accounting methods of defining and applying accounting principles, competence and independence of accounting professionals. Among the factors that may affect the quality of accounting, there were mentioned the taxation policy and the frequent legislative modifications in this area, inflation and the historic cost.

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THE ROLE OF MANAGEMENT ACCOUNTING IN THE FIRM'S PRICING DECISIONS

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Abstract: This paper is an essay about the role of management accounting in the pricing decisions of firms. This is a research type of essay paper, which makes use of journals and textbooks to show the actual application of management accounting in the firm's final pricing decisions. The first part is intended for the background on management accounting, to give the readers a bird's eye view of the topic. Then a slow interconnection of the topic to pricing issues is made as it approaches the middle part of the paper. The existing relationship between the two topics is then illustrated through presentations for further and clearer evaluation of the situation to the reader. This is also a way of showing how management accounting can affect a firm's pricing decisions. On the last part, the topic is summarized to end the discussion and to give a clear conclusion for the readers.

Keywords: management, accounting, the master budget, relationship

1. Management Accounting

While other branches of accounting is concerned with the considerations of accounting information of business enterprises for the use of external decision makers, managerial accounting is focused on the realm of enterprise-related accounting information for the use of a different set of decision makers – the enterprise's management itself. Therefore, managerial accounting is the branch of accounting thought and practice concerned on providing useful information to decision-makers within the enterprise. These decisions are related to the development of resources and the exploitation of the opportunities available for the enterprise. The boundaries of managerial accounting are not rigid. One thing that managerial accounting and financial accounting have in common is their focus on the enterprise and its activities. Their difference, on the other hand, lies on the decision interests of the class or the decision makers that they served. Additionally, most of the decision models that have evolved for management use and for which accountants supply the necessary information inputs have been developed within the disciplines of managerial economics and managerial finance. These models are described as part of the managerial accounting due to its vital role in supplying the relevant information for decision-making. Without it, it would be hard to understand the models of management decision.

Management decisions can be divided into two types. They are the long run and the short-run decisions. Long-run decisions are defined as decisions whose outcomes commit the enterprise or have direct influence on its numerous future-period activities. The long run is thought of as a span of time sufficiently long for the planning, implementation and running of the enterprise's significant project or program. Short-run decisions, on the other hand, are decisions whose outcomes commit the enterprise or directly influence its actions for perhaps only a year at most. The latitude available in the selection of short-run alternatives is restricted considerably by the commitments made by the enterprise in past long-run decisions. Given the objective of profit maximization in the long-run, the success of the enterprise (management) in the long-run hinges on the ability of the management in the identification and implementation of the most promising product lines, projects, and programs within its capabilities, as well as its environmental and money-capital limitations. The active seeking of opportunities is the first requisite to success. It is done to assist, either in providing new and better products/services, or in the development of new and better means of production. The former requires at least some minimal level of involvement, in the research of present markets and consumer/industrial preferences, plus on the research on product development. On the other hand, the latter requires at least some involvement with industrial engineering as well as organizational, institutional, and behavioral research. All of these are essentially information-seeking activities contributed by specialists other than accountants. The accountants' contribution comes into play in the selection of the most promising set among the identified alternatives. This is another important requisite to the enterprise's success in the long run. One essential feature of the opportunities (alternatives) in the long run is that they usually require considerable initial outlays of the enterprise's limited money capital for implementation. These initial outlays include expenditures for things like long-lived assets to be employed in the program, legal fees, and further developmental and organizational research costs. Additional outlays are required when relating to several future periods. This enables the production of benefits in the form of cash inflows or lower total outlays compared to the programs they replace. Since long run programs generally require outlays of scarce money capital, the process of the selection of the best set among the available alternatives (opportunities) is usually referred to as capital budgeting.

This is where the role of the managerial accountant enters. Upon the decision maker's discretion, he may perform not only the information-gathering step in the decision process but parts of the problem definition and evaluation steps as well. He also acts as the translator of the resource flows connected with a product, project, or program into financial or money flow implications.

2. Cost Behavior Analysis: A Flexible Tool

The discovery and application of cost and revenue behavior patterns are relevant in producing information for all types of management decisions. As noted earlier, one important task of managerial accounting is the association of financial (money) flows with the resource flows that are expected from various decision alternatives. Costs measured in money terms are associated with these alternatives in order to evaluate them in the context of the enterprise's long-run goal, which is profit maximization. The basis of associating these costs with particular decision alternatives is usually cost behavior patterns derived by the cost behavior analysis. A cost behavior pattern is a functional relationship between various activities or events that represent a decision alternative and the expected cost to be incurred in connection with that alternative. Cost behavior analysis, on the other hand, is the process of the discernment and the description of the forms of these cost behavior patterns. How are cost behavior patterns used in managerial decision making? First, the cost-behavior implications of various activities and events are used in constructing an overall cost-function for a decision alternative or variable. Then the cost function (usually together with a revenue function) is manipulated to generate decision-relevant information about the alternative or variable. Since most of the managerial decision making focuses on the production and sales of products and services, the frequent concern of accountants is on the use of cost behavior patterns in supplying information for decisions on production and sales. This type of application is called the cost-volume-profit analysis or break-even analysis. This is frequently used in practice and is the most appropriate context in acquainting the reader with the application of cost behavior patterns.

3. The Translation of the Actual Production Plans into Budgets

There are many kinds of activities involved in the operations planning and the control phases of the overall cycle of short-run management decision. These two phases are best described involving a series of steps. Each of these steps is necessary in accomplishing the purpose of each phase. Accounting takes a significant part for both phases. The major steps involve in the planning phase of the decision cycle for the short-run includes: the assignment of goals to responsibility centers; the development of plans for the operations of each center; the translation of these plans into budgets, the coordination and combining of the different budgets (making of the master budget); and the final review and possible re-planning of the master budget. After the determination of the best feasible one among the available production plans presented, a financial representation of that plan is prepared. This is called the budget, which is the operating plan for a certain period, expressed in money terms. Accountants take the role of assistance in the formulation of budgets. This process consists of the combination of the individual unit resource requirements (based on a selected plan), with the assigned goal on the production activity. The process of budgeting relies heavily on the predictions of the cost behavior patterns.

4. **The Master Budget**

After the formulation of the budgets for all of the lowest-level responsibility centers, a process involving the combination of the said unit budgets into budgets for the higher-level responsibility centers follows. The lower-level centers are part of the higher-level ones. Then after that combination, they are put together finally to form a coordinated whole. That is what they call the master budget. It consists of a coordinated set of financial estimates for the budget period. This includes the balance sheet, income statement, and other statements deemed to be useful for the said budget. The master budget differs from the budgets of high-level responsibility areas, it is not a "summing up" of the budgets of the lower-levels. Instead, it allows for the financial consequences of the various conflicting, major activities like production and sales.

5. Final Review of the Master Budget and the Replanning

The master budget serves as a means for checking all of the individual plans. This is due to the fact that it is where the different plans for all of the activities of an enterprise is integrated, and expressed in financial terms. It does not pinpoint any potential production bottlenecks and other defects on the technical planning. However, it is useful in other ways. One case is on the careless seeking of the optimal plans for operation. The lack of rigor may not be discernible in their individual budgets due to this situation. Nevertheless, the result will turn out to be a less-than-satisfactory estimated income figure, after the combination of the budgets into the master budget. On the other hand, certain adaptation forms are considered desirable in case the master budget turn out to be ineffective. It should only happen before the start of the operations. The exact adaptation form depends on the cause of the poor outcome. If the foreseeable cause lies either on the lack of rigorous planning on the part of the responsibility centers, or on the selection of overambitious goals by the management, a reiteration of the entire planning process is needed. For the first case, more attention must be dedicated for the selection process of the best (least-cost) plans for each subunit. While for the second case, goals that are more realistic must be assigned throughout.

On the other hand, if the cause of the frustration is beyond the management's control in the short-run, the problem becomes a matter to be considered in the long run by the management. That is, if it is due to some identifiable internal or external constraint. Even though the initial operational plan is a failure, it is not necessarily abandoned, unless adaptation could lead to a better plan under the circumstances.

6. Pricing of Products and Services

Pricing involves a delicate act of balancing. The higher the prices are, the more revenue earned per unit sold. However, this will drive down the unit sales. One difficult problem here is the actual setting of prices in its exact amount in order to maximize profits. In general, however, the mark-up over cost for those products, whose customers are least sensitive to price, should be the highest. In particular, the demand for such products is termed as being price inelastic. Managers often rely on cost-plus formulas in setting their target prices. In the approach of absorption costing, the cost base is the absorption costing unit product cost, while the mark-up is computed to cover both non-manufacturing costs as well as to provide an adequate investment return. However, costs will not be covered here and there will be no adequate return on investment unless the unit sales forecast used in the cost-plus formula is accurate. If through the application of the cost-plus formula resulted in a price that is too high, the unit sales forecast will be unattainable. Some companies, however, make use of a different approach for pricing. Instead of starting with costs and determine the prices afterwards, they start first with the prices and then determine the allowable costs. Companies using the target costing approach used the new product’s anticipated features as well as the prices of the existing products in the market, as their basis to estimate the likeness of the new product’s market price. In order to arrive at the product's target cost, they subtract the desired profit from the estimated market price. Thus, the responsibility of ensuring that the actual cost of the new product should not exceed the target cost is given to the team of design and development.

Conclusion

Managers have to make decisions, whether it be in the allocation of its limited resources, on pricing products, whether to drop a product line or not, or on the way of organizing its product and process. These decisions are based on information as its source. If the source (the information) turns out to be good, the decision will also turn out to be a better result. Nowadays, there is the emphasis of computer specialists on the “systems” nature of information and decisions. They argued that the way of the data development, summarization, and presentation determines the way a situation is viewed. In turn, it also determines the actions to be taken. Accounting reports, therefore, are the major source of performance information and the only source regarding the profitability information of a company. However, due to its service extended to external groups, it has not focused enough on its task of supporting managers in their full range decisions. Accuracy and validity in representing the companies’ activities are also compromised for uniformity and simplicity in its external reporting. This will further mislead the managers, resulting into the development of inappropriate strategies, which in turn, will also result into bad decisions. A recent development solves this problem. This is the activity-based costing, which provides the management the opportunity to bring the overhead allocations into line, with the way the plant actually operates. The activities (which cause the costs) are identified in order for the products (which cause the activities) to pay for them. The activity-based costing is not considered as a radical or dramatic change. Instead, it is defined as a subtle, fine-tuning. It has the potential of improving the usefulness of accounting significantly, as a decision support system for the strategic move of the manager in rebuilding its competitiveness.

Pat Romano, editor of Management Accounting and director of NAA research, summarize the developments in activity-based costing. He also states that activity accounting is a technique for better understanding of costs. Therefore, every company should make improvements with the use of the activity-based costing concept. The estimation of the potential costs of running a business is difficult with the use of inaccurate information. Activity-Based Costing, therefore, is an offering of opportunity made by the accountants.

Every company who wish to improve their accounting reports' accuracy should take this in modeling their company.

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THE FINANCIAL LIQUIDITY - A COMPONENT OF THE FINANCIAL DIAGNOSIS

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Abstract: On general meaning, financial liquidity represent the enterprise's capacity on managing towards the falling due of payments. The liquidity aims the capacity of payment on short term, while solvency aims towards the coordinates on long term.

As any other analysis based upon the information from Balance sheet and Account of profit and loss and the analysis of liquidity, by using the specific indicators of financial liquidity, the following have to be taken into consideration:

- On one hand, assuring the comparability of elements on financial position reflected by balance sheet, both in time and space.
- On the other hand, the possibility of utilization measure existence of eventual techniques on creative accounting has to be also taken into account.

After the precursory realization of these re-treatments of financial elements for an enterprise reflected by balance sheet structures, the financial analyst may pass from calculus of certain real indicators of liquidity and solvency, which might reflect the real level of liquidity that an enterprise has at certain moment.

Keywords: financial liquidity, financial diagnosis

A. General approaches

Within national and international economic literature, a diversity of opinions as concerns the definition of liquidity concept exists.

Prof. Mihai Toma appreciates that "the financial liquidity is a component of the financial diagnosis of a trading company together with financial indebtness and profitableness". The appreciation of global liquidity based upon balance sheet is made by Working capital and different liquidity and indebtness coefficients.

Prof. Marin Toma and Marin Chivulescu agree that "liquidity's indicators are part of the balance sheet structure category and measure the ability of an enterprise on honoring the obligations pn short term from current assets".

Prof. Ioan Bătrâncea appreciates that "financial liquidity represents a state of the financial equilibrium, which expresses the payment capacity on short term by synchronizing on time the financial exercise of the inputs and outputs of cash".

The Englishmen economists J. Fred. Weston and E. Brigham agree that "liquidity represents the company's situation as considering the point of view of cash and titles on liquid value towards the debts on short term, which reflect the company's possibility on accomplishing the obligations that become falling due".

The IAS regulations foresee that financial liquidity refers to cash liquidness on near future after taking into consideration of the obligations related to this period.

In our opinion, the financial liquidity represents that capacity of current assets elements on transforming into liquidities, in the view of managing over the debts immediately falling due.

The state of financial liquidity is influenced by a series of factors, such as:

- the swelling speed of claims, which overpasses the swelling speed of debts
- the swelling speed of increasing stocks
- positive flows on cash on the activity of exploiting, investments and financing.

B. Analysis models for the financial liquidity

Tough a complete analysis of financial liquidity needs using of budgets on cash, the analysis of this financial category can be done fast, by using the balance sheet structures.

The main forms of financial liquidity are:

1. General liquidity
2. Intermediary liquidity
3. Effective liquidity

1. The general liquidity represents the capacity of current assets (ACR) on managing over the current debts of the enterprise (DCR). O.MF.P.no. 94/2001 names this rate "Current liquidity"

1. ACR = Ac + Cav
2. DCR = DTS + Vav, where

- Ac represents the floating assets
- Cav represents the outgoings beforehand
- DTS represents the debts of the enterprise with falling due under 1 year
- Vav represents the earnings beforehand

The general liquidity is presented under two forms:

1.1. The general liquidity under absolute form (LG):

$$3.\quad LG = ACR - DCR \begin{cases} > 0, & \text{excess of general liquidity} \\ = 0, & \text{general equilibrum of the liquidity} \\ < 0, & \text{deficit of general liquidity} \end{cases}$$

On absolute form, the general liquidity, as financial indicator, is identical with the Working capital of whose importance is relevant by both the calculus and presentation directly within balance sheet structures imposed by O.M.F.P. no. 94/2001 (at post E).

1.2. The general liquidity on relative form (RLG):

$$4.\quad RLG = \frac{ACR}{DCR} x100 \begin{cases} > 100\%, & \text{excess covering of debts} \\ = 100\%, & \text{equilibrated covering of debts} \\ < 100\%, & \text{adverse covering of debts} \end{cases}$$

The installments of liquidity are generally installments of financial equilibrium, and this equilibrium doesn't have to be regarded as static at certain moment of time, but in circulation. The installment of general liquidity would have to progress around the value of 200%, therefore within an interval of financial security of RLG $\in [150\%, 250\%]$.

2. The intermediary liquidity emphasizes the capacity of current assets less than the stocks (having the quality of asset element the least liquid) of managing towards the current debts of the enterprise. And this is presented by two forms:

2.1. The intermediary liquidity on absolute form (LI):

$$5.\quad \text{LI} = (\text{ACR-S}) \ \text{-DCR} \begin{cases} > 0, \ \text{excess of intermediary liquidity} \\ = 0, \ \text{general equilibrium of liquidity} \\ < 0, \text{adverse of intermediary liquidity} \end{cases}$$

2.2. Intermediary liquidity on relative form (RLG):

$$6.\quad \text{RLI} = \frac{\text{ACR - S}}{\text{DCR}} x100 \begin{cases} > 100\,\%, \ \text{overweight intermediary covering} \\ = 100\,\%, \ \text{equilibrated intermediary covering} \\ < 100\,\%, \text{deficit intermediary covering} \end{cases}$$

O.M.F.P. no. 1752/2005 names this indicator „Immediate liquidity" or „Acid test".

O.M.F.P. no. 596/1995 appreciates that rate of liquidity would have to progress within security financial interval of RLI $\in [50\,\%, 100\,\%]$. The American analysts affirm a security interval more limitary of this installment, meaning $[80\,\%, 100\,\%]$.

3. **The effective liquidity** measures the level where treasury covers the falling due debts. It is presented by two forms.

3.1. The effective liquidity in absolute form (LE):

$$7.\quad \text{LE} = \text{TR} \ \text{-DCR} \begin{cases} > 0, \ \text{overweight treasury} \\ = 0, \ \text{treasury equilibrium} \\ < 0, \text{deficit treasury} \end{cases}$$

3.2. The effective liquidity in relative form (RLE):

$$8.\quad \text{RLE} = \frac{\text{TR}}{\text{DCR}} x100 \begin{cases} > 100\,\%, \ \text{treasury' overweight covering} \\ = 100\,\%, \text{treasury's integral covering} \\ < 100\,\%, \text{treasury's deficit covering} \end{cases}$$

It is estimated a favorable level of liquidity between financial security interval of RLE $\in [50\,\%, 100\,\%]$.

In order to identify the causes that modify the liquidity status, the analysis can be detailed within the process of decomposition over the economic phenomenon of factors, basing upon the model of effective liquidity such:

9. $$\text{RLE} = \frac{\text{TR}}{\text{DCR}} x100 = \frac{\text{CAN}}{\text{DCR}} x \frac{\text{RE}}{\text{CAN}} x \frac{\text{AB}}{\text{RE}} x \frac{\text{ACR}}{\text{AB}} x \frac{\text{TR}}{\text{ACR}} 100 =$$
KD x Rexp x GA x GA x GACR x GTR

where the explanation of factors (fractions) is the following:

$\frac{\text{CAN}}{\text{DCR}} = \text{KD}$ represents the swelling speed of debts expressed in coefficient

$\frac{\text{RE}}{\text{CAN}} = \text{Rexpl}$ represents the profitableness rate on exploiting activity

$\frac{\text{AB}}{\text{RE}} = \text{GA}$ represents the level of assets participating on achieving profit

$\frac{\text{ACR}}{\text{AB}} = GACR$ represents the weight of current assets within the total of balance sheet asset

$\frac{\text{TR}}{\text{ACR}} = GTR$ represents the treasury's weight within current assets

In conclusions, basing upon the model presented above, a high level of real liquidity (effective) can be achieved in these conditions:

- accelerating the swelling speed of the debts
- increasing the profitableness of exploiting activity
- emphasizing the level of participation of assets to economical circuit
- majoring the weight of current assets within total of the asset
- increasing the weight of elements on cash and cash equivalent within the total of current assets of the enterprise.

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THE COST OF CAPITALS AND THE FINANCIAL STRUCTURE OF AN ENTERPRISE

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Abstract: Within capitals establishing, the enterprises have at their disposal a diversity of offers, but for each of them, they have to pay a certain price, named capital's cost. The resource for this price's payment is going to be "produced" into economic processes, where the enterprise's capitals are operative. Only the efficient use of capitals leads on creating payment means for putting out these obligations. If the profits are enough for integral covering of obligations, then both the process of establishing the capitals (meaning that inexpensive resources were used) and the process of their utilization will be developed efficient, because signifies achieving of plentiful profits for investors' remuneration.

The dimension of capitals' cost is influenced by the measures of different costs of financing sources, either under explicit or implicit form.

The explicit cost can be defined as updating installment, which assures the equality between present value of cashing concerning establishing the capitals and the actual value of payments, resulted from using a financing source.

Keywords: capital, financial structure

The explicit cost of capitals "represents the updating installment that equalizes the initial cashing with the present value of future payments generated by financing source utilization". In the view of dimensioning the capitals' costs, we consider useful the quantization of each component of the cost, in accordance to the following structure of the financing resources for the investments:

- the contribution of capitals (especially the cost of common actions and of those preferred);
- the load capitals (the cost of bank credit as well as of obligatory loan);
- capitals derived from own activity (the profit retained at enterprise's disposal, coming out new stock holdings).

As concerns the cost of capitals' contributions, a distinction between personal or familial enterprise and the enterprise organized as stock company has to be imposed.

Therefore, while for the first, the capitals' contribution of owners or associations depending on situation, involve an opportunity cost and for the second category, the contribution determines an explicit cost. The owner of a personal company or partnership can finance the company by available economies or from an operative credit with own personal title (especially within associations) on short or mean term, of which the company's managing has no concern about. The cost of these capitals is equal with the efficiency rate of which enterpriser would beneficiate, if he invests in the most favorable activity outside his company, but having comparable risk. There have to be identified the investment or placement alternatives with term and risk level, in comparison to the project had in view by the own company. There is infinity of opportunities and therefore, assuming the imperfect competition conditions, one fall back upon those the most accessible. The efficiency rates of each opportunity accessible are connected to influences concerning the security and liquidity of placement operations or investments. The most favorable result achieved represents the cost of opportunity for the investor, and for the enterprise that uses the capital, respectively the implicit cost.

The traditional theory shows that the objective of financial management is represented by maximizing the wealth of stockholders, which represents for the stock companies the maximization of stockholdings values on the market.

If the company is quotable, we will be able to talk about stock exchange value of stockholders, named the stock exchange capitalization. The behavior of stockholders is supposed to be rational, and the determining factor of this is constituted by their anticipations over the general economic conditions, of the financial market and those concerning the company's performances. Therefore, the market price P_0 or the share prices at a certain moment represents the present value of the flow of dividends $D_1, D_2, \dots D_t$, which the stockholders expect to cash in the future, at the end of each period from 1 to t. The updating official rate k, which equalizes the price of share with the series of future dividends, reflects the efficiency exigencies of the stockholders or the efficiency rate requested by the stockholders. Therefore, the hypothesis as concerns the behavior of stockholders is summarized at the following relation:

1. $$Po = \frac{D_1}{1+k} + \frac{D_2}{(1+k)^2} + \dots\dots + \frac{D_n}{(1+k)^n}$$

For the stock company, the rate k represents the cost that has to be supported in the view of using the capitals disposed by the stockholders.

Starting from the exposed relation, we can calculate the cost of capitals' contribution of stockholders, having the condition of establishing certain viable hypothesis as concerns the distribution of future dividends. The company does not beneficiate of the entire value of shares' coming out, because is supports by this situation a series of outgoings (rights of registration, outgoings of advertising, bank commissions etc.). Decreasing from the value of coming out (the price of coming out multiplied with the number of shares) the outgoings related to this operation, the net contribution results, which we consider that has to represent the basic element on computing the outturn and therefore to the cost of this first component of enterprises' capitals. We explain this thing by the fact that company can capitalize only the net contributions, depending on which the outturn can be computed. The outgoings with out coming of shares are a reality, and after performing them, the enterprise has at disposal less means by which it has to perform the investment. The claims of stockholders have also to be limited to the amounts effectively remained at company's disposal, after this supports the normal outgoings related of shares coming out.

A first viable hypothesis as concerns the distribution of enterprise's dividends can be considered as **the hypothesis of constant dividends**, in accordance to which the stockholders expect on cashing in the future a constant dividend on undefined term. In this situation, the relation which expresses their behavior can be thus written :

2. $$P_0 = D\left[\frac{1}{(1+k)} + \frac{1}{(1+k)^2} + \dots\dots\dots + \frac{1}{(1+k)^t}\right] \Rightarrow P_0 = D\left[\frac{1-(1+k)-t}{k}\right] \Rightarrow$$

$$P_0 = D\frac{(1+k)^t - 1}{k(1+k)^t} = 0,$$

$$\textit{because} \quad t \to \infty, P_0 \to \frac{D}{k},$$

$$\textit{by approximation we can write} \quad k = \frac{D}{P_0}$$

where : D is the constant dividend,

P_0 is the issuing price,

and k is the outturn rate necessary or the cost of capital contribution in this situation. Another hypothesis that we can have in view on dimensioning the cost of contribution is represented by **the hypothesis of future increasing dividends with constant rate.** In this situation, the stockholders expect that dividends that will be cashed in the future to increase with a constant rate *g*. The yearly dividends can be deducted by means of relations:

$D_2 = D_1(1+g)$

$D_3 = D_1(1+g)^2$

$D_4 = D_1(1+g)^3$

.

.

$D_t = D_1(1+g)^{t-1}$, *iar*

$$P_0 = D_1\left[\frac{1}{(1+k)}\right] + D_1\left[\frac{(1+g)}{(1+k)^2}\right] + D_1\left[\frac{(1+g)^2}{(1+k)^3}\right] + ... + D_l\left[\frac{(1+g)^{t-1}}{(1+k)^t}\right] \Rightarrow$$

$$P_0 = D_1\left[\frac{1}{(1+k)} + \frac{1+g}{(1+k)^2} + ... + \frac{(1+g)^{t-1}}{(1+k)^t}\right] \Rightarrow$$

$$P_0 = \sum_{t=1}^{n} \frac{D_1(1+g)^{t-1}}{(1+k)^t}$$

Assuming that the rate of anticipated outturn is greater than the rate of anticipated increasing (*k*>*g*) and that tends to infinite, the computing relation becomes:

$$P_0 = \frac{D_1}{k-g}, unde\ D_1 = D_0\ (1+g)$$

The hypothesis *k*>*g* is enough realistic, because two hypothesis: *k*>*g* şi *k*<*g* correspond to infinite courses on undetermined terms of the actions, situations that cannot be met on financial market. Continuing the previous outturn, we obtain:

$P_0\ (k-g) = D_1$, *sau*

$P_0\ (k-g) - D_0 = 0 \Rightarrow P_0 \times k = D_1 + P_0 \times g$, *where*

$$k = \frac{D_1}{P_0} + g$$

If the future dividend (D_1) is in generally simple of determined, existing by depending of financial result, the rate of increasing *g* is more difficult on estimating. The increasing rate *g* expresses tow components: the outturn rate (the dividend) and the capital earnings (increasing the share prices). This content given to the increasing rate expresses the best this requirement (the aim) of establishing process and using the enterprise's capitals. Restraining this term understanding to only outturn rate makes impiety over the process of doing efficient the company's activity, eluding the importance of progress to share prices to stock exchange. We maintain this idea, because the total earnings accomplished by a stockholder return to him on two ways:

- the first is represented by dividends that this caches and which signify the main modality of capitalizing this, and
- the second is given by the earnings gain achieved as result of shares selling.

These earnings can be achieved only if the value on market of the shares registers an increase into interval from acquisition until their selling. But, simultaneously with selling the shares, the quality of owner of these titles and therefore the possibility of gain offered on first way. The size of market value gain of the shares is determined greatly by the evolution of dividends paid during owning the shares.

These are more methods of estimating the increasing rate *g*. One of these is based upon the evaluation of increasing potential of the enterprise, expressed by turnover, production or results. If we assume a policy of usual dividends, the increasing of dividend is equal on mean term with that of share profit. The interest manifested for this method is given by the integration of predictable data from the financial analysis on estimating the stock exchange evolution. But, although this is more feasible than simple extrapolation of previous tendencies of increasing the dividends, the evaluation upon economic and financial predicted data can lead to errors. It's about companies that surpassed the phase of intense increasing, situation where although the rate of increasing *g* had in the past an increased level, in the future this will be decreased. The companies that registered difficulties in the past, where the rate *g* is negative, do not have compulsory to be submitted to same tendencies in the future. Therefore, the simple extrapolation has to be replaced with rigorous and precise studies, as concerns the company's management, which can assure an adequate appreciation of evolution related to increasing rate.

Within **hypothesis of modifying the rate of dividends increasing,** the issue price of new shares is inferior to market course of old shares for the enterprise, not only by the fact that issuing outgoings appear, but also because new shares have to be attractive for the investors. Usually, launching of shares represents a span operation, and its failure would represent a financial catastrophe for the company. The new investors have probably intentions and anticipations different of those of old investors, which have frequently transactions of shares.

Within the process of fund's capitalization, the dividends D_i have different significations: for the stockholders these are the earnings expected due to capital's contributions while for the enterprise, they reflect the cost of used capitals. This cost is supported from company's benefits; for being paid, it has to be created within process of using the capitals. The levels D_1 , D_2 , D_3, ... D_n of the yearly dividends will express the inferior, absolute limit, of the efficiency expressed by profitableness of using the enterprise's capitals.

Within hypothesis of yearly modification of dividends size, *k* reflects the dynamic of minimal exigency for establishing and using process for the enterprise's capitals.

Within context of hypothesis mentioned, sizing of outturn rate *k* is imposed for the new shares, which can be different from those practiced by the company for the old common shares.

A last hypothesis possible of using on sizing the cost of stockholders' contributions is that of **minimal profitableness** necessary in the view of avoiding the profit's making volatile on shares. This hypothesis privileges the notion of profit on a share and is established on the fact that in conditions where the financial results are constant, the increasing of shares' number determines the decrease of profit per share.

The phenomenon is frequently named within specialty literature, dilution or *making volatile* the profit. The cost of capitals achieved is determined by computing the investments' profitableness so that it won't decrease the share profit. If P0 is the net issuing price, will be imposed that by capitals' investment achieved due to issuing, a profitableness at least equal with $\frac{P_a}{P_0}$, where P_a is the profit per share to be accomplished. Therefore, the cost of contribution per share is determined by reporting the profit per share at the share's market price.

Estimating the costs of stockholders' contributions can be made upon basis of certain mentioned hypothesis. Honouring the obligations, which comes by utilization of capitals established by stockholders contributions, is accomplished after the creditors were remunerated (resulted from establishing the company's capitals). The creditors have priority on being remunerated, and the shareholders will receive their rights as concerns *the rest' rules*, by the positive difference between the net treasury flows and the payments as concerns the costs of loan capitals. The inexistence of imperative character as concerns the payment of certain pre-established level of the contributions' cost makes that in financial theories, concerning optimization of capitals' structure, this has to be quantified as variable cost.

The cost of preferential shares. Because in most of cases, the preferential shares have unlimited duration, one may use for determining the cost of capitals achieved by their means, the simple model of shares' evaluation (the hypothesis of future constant dividends). We start therefore from computing relation:

$$P_0 = \frac{D_P}{K_P}$$

P_0 is the yearly cost of preferential shares;

Dp is the yearly prior dividend, and Kp is the outturn rate necessary for investors or the capitals' cost of this type.

From this relation, the cost of capitals established upon basis of preferential shares is given of the formula:

$$K_P = \frac{D_P}{P_0}$$

We consider necessary a supplementary remark, meaning that P_0 represents the issuing price cashed by the company from selling the preferential shares. In the view of assuring an increased efficiency of enterprise's capitals, the financial managers have to perform, depending on dividends' policy carried out by the company, a selection of the most adequate sources of their establishing. The contribution of capital's owners is used on establishing the company's capitals, if the cost is more reduced than of the other resources. On constant dividends hypothesis, the requirement to new contributions can be made if the profitableness rate of future investments is greater than the dividends rate offered to old stockholders.

On hypothesis of future dividends increasing with a constant rate or with one variable, the profitableness of investments accomplished with these new contributions have to overpass both the rate of dividends of old shares and of yearly increasing rate.

Establishing the company's capitals from new contributions is made if only the investments financed by these assure a monetary surplus enough on assuring the owners remuneration on level requested by these, but creating resources for developing, modernizing or re-tooling of company. These results, supplementary achieved over the cost of used capitals, can assure the accomplishment of certain profitable investments as condition for carrying out the aim of financial managing – the growth of stockholders wealth.

The cost of bank loan. Generally, estimating the cost of each loan represents an easier operation, due to fact that it represents an explicit cost and has an objective determination – the rate of market rate of interest, at certain moment. The tendency of confusing the rate of interest where the contract was concluded with its cost exists. Although apparently the idea is correct, in reality the financial outgoings that are made by debts concluded to banks or at investor public have to be adjusted with fiscal economy. The fact that payment obligations, in debts account are paid before computing the chargeable profit, creates for the company a favorable effect of making efficient the financial profitableness. The fiscal effect of debt has validity only for the companies that have profit. We can speak, in this situation, about an apparent debt and an effective debt. The cost of a loan capital can be described, at general mean, by the help of next relation:

$$K_d = r\,(1 - T),$$

where: K_d is the real cost of loan capital, r - the rate of interest, T – the rate of duty tax.

Within market economy, the practice of company's debts evaluation for the market value is frequent and therefore, the utilization of an actuarial cost. As result, the theory, in accordance to which the cost of loan capital represents the updating rate that equalizes the value of initial incomings with the present value of the future payments, is fully justified.

On their wide practiced variant, of the bank credit, the calculus of actuarial cost needs from the start an ascertainment: it isn't referring to credits already performed by the enterprise, but to those that will be used for the investments' projects. The bank credit is placed within the scheme of visible loan (which comes from a source). For such loan, the following argument is valid: if the company contracts a loan C_0 and carries out on reimbursing by annuities $(A_1, A_2, A_3 ....A_t)$, the cost of credit being the rate K_c that solves the equality:

$$C_0 = \sum_{t=1}^{n} \frac{A_t}{(1 + K_c)^t}$$

Because the fiscal economy appears, the level of annuities of reimbursing has to be reduced with the yearly value of it. The annuity is given by the relation:

$$A_t = r \text{ x } C_{t-1} + a_t$$

where: A_t - yearly annuity, r - rate of interest, C_{t-1} - the credit remained for reimbursement, a_t - the yearly amortization (the yearly overdue rate).

The cost of bonded loan. The cost of capital achieved by issuing of bonds is the rate of outturn needed so that the public to invest in titles issued by the company. As considering the enterprise point of view, the cost of bonded loan represents the rate of interest which equalizes the value of initial incomings with the updated value of payments in force, where are included: the coupons paid half-yearly or yearly by the bondholders (rate of interest or the earnings), the reimbursements or redemption prices (that can be by lot or by initial establishing of certain quantity to maturity) at the promised value to maturity.

Considering that the offer or issue price is P_0, the rate of interest is i, the value at maturity is M, the cost of bonded loan is the variable K_d that solves the equation:

$$P_0 = \sum_{t=1}^{n} \frac{i}{(1 + K_d)^t} + \frac{M}{(1 + K_d)^t}$$

Since the bonds can be issued at their maturity value or under this mostly, and rarely over that level, the cost calculus for capital achieved depending of bonds has to be adapted to concrete situations. When the price of issuing of the bonds is equal to the earnings at maturity, the rate of interest will become equal to the earnings at maturity, (the foreseen coupon). Therefore, the cost before the taxes becomes equal to rate of interest for the coupon.

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ROMANIAN TAXATION POLICY IN THE CONTEXT: ROMANIA MEMBER STATE OF THE EUROPEAN UNION

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Abstract: Taxation policy plays a crucial role at the level of state: to provide the access to a decent life style for all citizens and stimulate the sustained development.

It cannot be said that there is a unique taxation policy la the EU's level and this for well established reasons: the most simply being the multitude of taxation systems at the member state level and the most grounded is the different degree of development of the member states. Nevertheless this fact does not undermine the importance of the European taxation policy materialized in suitability of national taxation systems on common objective/basis.

Generally, Romania has an indirect taxation system closed tot hat of the EU, even that ranging to the community acquis is not complete yet especially in the excises areas. With regard, direct taxation, efforts are made for coordination with the rules issued.

Keywords: Romanian taxation policy, European Union

1. Aspects of the European Taxation Policy

Taxation policy plays a crucial role at the level of state, having in mind that taxation represents a method of stimulation of economic development through attraction of investments but also a way for reasonable redistribution of welfare for all creators of added value. Taxation has to be seen as a mean and not as a aim by itself. Its role is to provide the access to a decent life style for all citizens and stimulate the sustained development. Through taxation policy are set the volume and the nature of state financial resources, sampling methods, objectives and way of achievement of the financial control[2]. Taxation policy has an influence over the economic processes through the instruments it disposes, serving taxation and social and political and cultural objectives.

A natural question that comes off now is: is there a European taxation policy? Well, it cannot be said that there is a unique taxation policy la the EU's level and this for well established reasons: the most simply being the multitude of taxation systems at the member state level and the most grounded is the different degree of development of the member states. Nevertheless this fact does not undermine the importance of the European taxation policy materialized in suitability of national taxation systems on common objective/basis.

The taxation policy contributes to achievement of common aims assumed by the Lisbon treaty, namely: a power entrepreneurial effective state; innovation at all levels; improvement of work conditions; reformation of product and service market; effective solution for environment protection[9].

Way of achieving a powerful entrepreneurship in an effective state consists in the power of the taxation policy, re-launching of entrepreneurial spirit being possible through a simpler and more effective legislation, sustainable public finances and reduction of taxation duties for companies.

The taxation policy should contribute to the achievement of the general objective of the European Union, that until 2010, the EU's economy becomes the most competitive and dynamic from the world, able for a durable economic growth, with more jobs and with a larger social cohesion (objective set by The European Council, in Lisbon in March 2000)[5].

This objective cannot be achieved without a reduction of the general level of taxation in the European Union, at the same time with enlargement of taxation basis. With the purpose of reaching this common objective proposed in 2000, the taxation policy should: [2]:

- offer the free circulation of goods, services and capital; encourage competition;
- fight against tax evasion;
- impose there where the case may be rules regarding the construction of the national taxation system in the member states;
- offer solution regarding introduction of some duties and taxes that contribute to the increase of budgetary incomes in the member states;
- impose conditions from taxation point of view for the states candidates to adherence;
- oblige the member states to observe the provisions of Stability and Growth Treaty;
- aim the maintain of the macro-economic stability and avoidance of excessive governmental deficits; pursue the achievement of nominal and real convergence.

So the taxation policy at the union level is submitted to a compatibleness process of harmonization of indirect taxes (less as number and of crucial importance) and coordination of indirect taxes, very numerous and different at the member states level. Through this process, the Union does not intend to injure the national authority with regard the taxation policy, but it would like to give the benefits of the unique market to all citizens, without any limitation, and remove the double taxation of revenues and the tax competition at the level of the member states and certainly, harmonization is the term that will define the European taxation policy for the next years.

Practically, it is impossible to develop a unique taxation policy having in mind that it is made up of financial lever as duties and taxes, with which the state manages the economic cycles. And now within the union the differences among the member states are significant and this can be proved also by a simple comparison of the GDP/habitant and because the economic cycles do not superpose always, it would be too much daring to map out a unique taxation policy for all member states. A taxation policy with a higher degree of harmonization and coordination of direct and indirect duties with regard the taxation basis could be outlined and also taxable persons and limits of imposed quotas.

From the data published by Eurostat Romania and Bulgaria, states that adhered to UE in 2007, are the poorest in the European block from point of view of the GDP/habitant, recording values of 10100 and 10000 euros/habitant, holding 41% and 38% respectively, from the European average. Luxemburg is by far the richest states from the European Union exceeding by 176% the average of the EU member states, having the value of GDP/habitant at 68500 euro, followed by Ireland which has a GDP/habitant at a half from Luxembourg level. If we compared the GDP on habitant from Luxembourg tot hat of Romania it can be seen that the first is almost seven times higher. So, certainly the fiscal levers shall be differently managed in these two UE member states, adapted to the requirements of the own national economy.

There are differences from the taxation level point of view among the EU member states. Making an average of the taxation pressure in the member states it is achieved of 39.9% from GDP in 2006, values that defines the taxation level in EU. This value of 39.9% from GDP exceeds the level recorded by USA and Japan. So it can be asserted that the taxation level is a high one inside the European Union. But within European Union very large variation margins from this European average may be observed, as it can be seen from the table 1. The level of the direct taxation is lower in the new EU member states in, a reason being that these states adopted the unique taxation quota.

Table 1: Total tax revenue as % of GDP

Member State	Including social contribution		Excluding social contribution	
	2005	**2006**	**2005**	**2006**
BE	44.9	44.6	31.2	31
BG	34.1	34.4	23.8	25.6
DK	50.7	49.1	49.6	48.1
DE	38.7	39.3	22.4	23.3
EE	30.6	31	20.3	20.8
IE	30.8	32.6	26.1	27.7
EL	31.3	31.4	20.3	20.3
ES	35.6	36.5	23.5	24.3
FR	43.8	44.2	27.5	27.8
IT	40.6	42.3	28	29.6
CY	35.5	36.6	27.3	28.7
LV	29	30.1	20.6	21.5
LT	28.8	29.7	20.5	21.2
LU	37.8	35.6	27.2	25.7
HU	37.4	37.2	24.9	24.7
MT	33.7	33.8	26.9	27.6
NL	37.9	39.5	24.8	25.3
AT	42	41.8	27.5	27.4
PL	32.8	33.8	20.5	21.6
PT	35.1	35.9	23.8	24.5
RO	27.9	28.6	18.2	18.8
SI	39.3	39.1	24.8	24.8
SK	31.5	29.3	18.8	17.6
FI	44	43.5	32	31.4
SE	49.5	48.9	36.7	36.8
UK	36.6	37.4	29.8	30.6
CZ	37.1	36.2	21	20

Data source: EUROSTAT

The taxation on the income of the natural persons is very different, recording values from 16% in Romania to 59% in Denmark. Also with regard the tax on profit the situation is similar, this varies from the level of 10% in Bulgaria and Cyprus at maximum 35% in Malta. During the last years, all countries applied to reduction of this tax quota. All these comparisons regarding the taxation within the UE may be reviewed in the study „Taxation trends in the European Union, published by Eurostat and worked up by the European Commission in 2008.

Taxation at the EU member state level was and it will be further a key point within taxation and economic policy. An increase of taxation on consumption at the same time with reduction of social contribution and taxation of capital in some member states may be foreseen.Differences among the taxation level within the European Union are significant and generally, the old member states practice higher quotas than the new ones.

2. Consideration Regarding the Step of Harmonization of the Romanian Laws to the European Laws in the Taxation Field

The taxation system of a state should be able to provide the revenues approved through the state budget when the taxes are used as levers of the taxation policy, but without exerting an onerous tax pressure over contributors that could discourage them to work, save, invest or instigate to tax evasion.

The most important taxes that contributors pay to state budget are grouped into two categories: direct taxes (on profit and income) and those indirect ones (VTA, excises, customs taxes). Then come after the social contributions that have a significant weight in the budget revenues, and the system of local taxes and duties. Although as number of taxes and duties, Romania ranks on the first position in Europe, the taxation level is a low one and not as high as some contributors assert. The taxation pressure in Romania was of 28.6% of GDP in 2006, low level in comparison with 49.1% in Denmark, 44.6% in Belgium and even in comparison with our Bulgarian neighbors with 34.4%.

Starting with January 1st 2007, Romania became an EU member state. Within the Union every state has its own taxation policy that has to be appropriate with the view of reaching the common objectives and without negative effects over the other member states. For this purpose the taxation policy at the Union level have to contribute to limitation of tax evasion, elimination of double taxation, prevention and elimination of the unfair competition within the unique market supplied by different taxation systems, elimination of fiscal paradises that create a taxation competition among states and transfer of taxation basis in these areas. In order to meet these requirements, harmonization of national laws with European provisions is entailed. In the taxation field, the community acquis provides dispositions regarding the harmonization of indirect taxes and coordination of direct taxes.

Harmonization aims the development of conditions for participation at the Union domestic market meaning to provide the full free circulation of goods, services, capitals and persons. In compliance to the Maastricht Treaty, determination of indirect taxes comes into the competence of community bodies and not of national authorities. Indirect taxes that are object of harmonization are the value added tax (VTA) and the excises for the following classes of goods: processed tobacco, alcohol and mineral oils.

As per direct taxation, the Treaty of the European Community does not expressly specify the ranging of these taxes and leave them in the member state management. Nevertheless, there where the indirect taxation prevents the free circulation of goods, services, persons and capitals, the member states has to set a taxation system at national level which respect this fundamental right. Harmonization of direct taxes is not a purpose by itself , but finding of taxation common basis.

The value added tax (VAT) was implemented in EEC in 1970, replacing different taxes on consumption and production which made more difficult the commercial exchanges among states. After its implementation and until now it was the object of continuous changes, the purpose being harmonization of VAT provisions and application in the member states. Romania implemented the VAT staring with June 1st 1993. One of the most important regulations regarding VAT is the 6th Norm of the European Council 77/388/CE, improved by the Norm 112 from the 28th of November 2006.

Harmonization in the VAT field refers to:

- territorial implementation
- persons registered for VAT purposes[4].

o taxable persons residing in Romania before achievement of taxable operations and/or exempted with deduction right or reaching the ceiling of EUR CA 35 000, if they choose for the special system of exception for small enterprises. This ceiling is different within the EU, if in Romania is of EUR 35 000, in Poland, for instance, this ceiling is of EUR 10 000.In the 6th Norm this ceiling is of 5000 EUR, but Romania has obtained a transition period by the end of the year 2011.

o Taxable persons not residing in Romania if they deliver goods, provide services taxable in Romania.

o taxable persons not residing in Romania if they make an intra community purchasing of goods in Romania, or an intra community delivery of exempted goods with the place in Romania. The provisions regarding the intra community deliveries have been also ranged with applicability starting with 01.01.2007, the Minister of Finance developing an information campaign in order to inform the contributors.

- taxation basis
- taxation quotas At the EU level there is the normal quota between 15-25%, reduced quota (5% minimum), the super reduced quota and parking taxation that cannot be lower than 12%. Romania removed the increased tax and the zero quotas have been replaced with exception from VAT payment with right of deduction, determining also the operations that take advantage of this regulation.

The taxation quotas used in Romania have been ranged to European requirements, using the normal quota of 19% and the reduced quota of 9% for the following service providing and/or goods delivery[4]:

a) access to castles, museums, memorial houses, zoos and botanical gardens, fairs and exhibitions and cultural exhibitions;

b) delivery of school books, books, newspapers, magazines except those intended for advertising;

c) delivery of prosthesis except dentures ones;delivery of orthopedic products

d) delivery of human and veterinary use medicines;

e) accommodation in hotels or assimilated to them, camping.

It can be see that the reduce VAT quota is applied to a limited number of activities, without including the basic food, or some clothing and footwear as is practiced in the most of EU member states. In Romania the super VAT reduced quota is not applied nor for parking tax.

The highest level of VAT taxation quota is of 25% in Denmark without reduced and super reduced quota and in Sweden of 25% and reduced quota of 6/12%. In these two states, taxation is, generally, the highest due also to the high level of economic development and living level in comparison with other member states. The lowest VAT quota, 15% is in Cyprus and the reduced quota is of 5/8%.

With regard the excises, the general regulations refer to products that are subject of excises and holding, circulation and monitoring of these products. Regulations are applied for three product classes only: alcohols, processed products of tobacco and mineral oils.

The minimum quota of excises at European level applied to alcohol and liquors, cigarettes and processed product from tobacco other than cigarettes, mineral oils are rules by the Directives 92/87/ EEC, 92/79/ EEC, 92/80/EEC and 92/82/ EEC.

Romania applied for a transition period until January 1st 2011 regarding the reaching of the minimum excise level provided by the community directives.

Besides the three classes of excisable products that are object of harmonization, Romania applies excises over the value of the following goods: green, roast, soluble coffee; coats of natural furs; crystal-made items; gold and platinum jewels except wedding rings;

perfumery; hunting guns; yachts, ships, pleasure boats and motors for them with a power higher than 25HP.

A part of this product will not be excisable starting with 2010, as: green, roast, soluble coffee, crystal-made items, gold and platinum jewels according to annex 3, title VII, Chapter V from the Taxation Code 2008.

With regard the direct taxes a coordination of the legislation regarding the company taxation and tax on capital is pursued. Measures in the company taxation area are intended to facilitate the administrative cooperation among the national taxation authorities and eliminate the barriers for transboarder activities of the companies.

Progresses were made in the taxation of dividends paid by a company, Romanian legal person to a residing legal person in an other member state, in the field of incomes from savings as interests that are excepted from taxation for the natural persons residing in other EU member states and under some conditions, starting with January 1st 2011, the incomes from interests and royalties achieved from Romania by legal persons residing in other EU member states shall be free- taxation. Sustained efforts are done in order to avoid the double taxation, implementing for this purpose the certificate of taxation residence that the non-resident has the obligation to submit to the income player at the moment of income achievement.

A common taxation system has been developed that applies to suppliers, divisions, transfer of assets and exchange of shares among the companies of different member states.

3. Conclusions

Generally, Romania has an indirect taxation system closed tot hat of the EU, even that ranging to the community acquis is not complete yet especially in the excises areas. With regard, direct taxation, efforts are made for coordination with the rules issued.

Albeit improved, the Romanian taxation system still faces with some issues[9]:

- it does not provide enough resources with negative impact over the budgetary deficit;
- it does not support sufficiently he entrepreneurial initiative because of high taxation;
- underground economy holds high levels, especially the unofficial work due to the high level of social contribution to be paid by employer;
- taxation code is very thick and unstable that creates distrust for the foreign investors;
- excessive orientation to coercive in taxation practice, in disadvantage of taxation incident prevention.

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GLOBALIZATION OF ACCOUNTING STANDARDS: A UNIQUE PERSPECTIVE

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Abstract: The International Accounting Standards Board has as its mission the development of a single set of high quality, understandable and enforceable accounting standards to be applied by countries around the world. This mission is the result of market pressures for a common reporting lexicon. In doing so, this paper explains that the effects of globalizing accounting standards are far broader and deeper than many would consider.

Political, legal and cultural ramifications add to the economic issues most often raised in the accounting standards globalization debate.

Keywords: globalization, accounting standards, IFRS

The 1990s and early years of the twenty-first century have witnessed globalization on an unprecedented scale. Information technology advances mean that improved communication has led to transactions cost reductions and increased economies of scale.

The essence of globalization is to ensure a social completeness of economy. The economy may be globalize as an effect of commercial conventions through its specific agents, players of the global markets. According to their position on the international scene, this phenomenon shall be benefic for humanity. Along with the globalization of business comes globalization of the language of business: accounting.

One of the most significant and controversial recent trends in business is the commitment of countries to work towards adopting international accounting standards. The year 2005 heralded a new era in financial reporting as many countries adopted International Financial Reporting Standards (IFRS) for the first time. As it is realized, the globalization trend affects the way that firms worldwide report their financial transactions. Accounting standards globalization significantly changes the reported earnings and reported financial position of many firms and public sector entities. Accountants, managers, shareholders and financial statement users will all grapple with the consequences of the globalization movement in terms of potential effects on capital markets, product pricing and labor markets.

The main questions which the IASB must answer will be:

- Why have countries switched from the national accounting standard to a global regime without even knowing the final form and content of the standards that they have committed to adopt?
- What differences exist between the globalization approaches adopted by various countries?
- Who are the winners and losers in this process?

On the other hand in nations' globalization approaches all have aspect in common. Indeed, they must if international convergence is to occur. Major regional differences on a range of dimensions explain economic and political imperatives and stakeholder interests in pursuing accounting standards globalization, and differences between national approaches to accounting regulation.

A key argument that national governments and finance market players have posed in favour of adopting international accounting standards is that doing so frees up capital markets, with corresponding potential macroeconomic benefits.

To understanding the importance of globalizing accounting standards you must focus on this progress of it. Kevin Stevenson, in the article "the IASB: some personal reflection", challenges readers to appreciate the issues facing an organization that almost certainly did not expect the globalization movement to lead to such rapid acceptance of IASB standards as has occurred. Commensurate with international acceptance of the wording of international accounting standards, a need arises for infrastructure to ensure international understanding and acceptance of the interpretation of those standards.

The move to more globally accepted accounting standards is clearly seen as a mechanism for economic transformation, particularly for developing countries. In this regard, the International Organization of Securities Commissions (IOSCO) has played a critical role in promoting IFRS. IOSCO's recommendation that members allow multinational companies to use IFRS for cross-border listings and capital raisings was a catalyst in gaining acceptance for a global set of accounting standards.

More recently, discussions among the accounting standard setters of China, Japan and Korea recognized that international convergence is an irreversible trend and the nations support the IASB's efforts to develop a single set of high-quality and globally accepted standards. However, they also stipulated that convergence is not necessarily equal to being identical. For example, Australia has promulgated Australian equivalents to IFRS but with differences. A 2005 PricewaterhouseCoopers report documents that only around 50 per cent of about 35 standards receive a "no significant difference" rating. The EU also tinkered with standards, as evident by the passage of IAS 39, the controversial standard on financial instruments and "carve outs" introduced by the EU.

Generally, globalization of accounting is a component of a total globalization package. Countries believe that embracing global accounting standards will open up capital markets and either attract, or restrict the loss of, foreign investment. Other countries have formally committed via Memoranda of Understanding with the IASB to converge their national GAAP with IFRS. For example, at their joint meeting in Norwalk, Connecticut, USA on 18 September 2002, the FASB and the IASB each acknowledged their commitment to the development of high/quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting. At that meeting, both the FASB and IASB pledged to use their best efforts to make their existing financial reporting standards more compatible as soon as is practicable, and coordinate their future work programmes to ensure that, once achieved, compatibility is maintained.

Key issues relating to implementation of global standards include the principles versus rules debate, interpretative issues and the adequacy of IAS GAAP knowledge. The role of principle –based versus rule-based, standards and the role of professional judgment is a thread common to the UK, Canadian and US chapters. IFRS are often typified as being principles while US GAAP, particularly, is typified as rules-based, leaving much to the account for each of the various events and transactions that fall within broader areas that would otherwise be governed by general accounting principles.

While removal of global barriers makes a global accounting language appealing, differences between the economic, social, and political characteristics of each country raise questions concerning the ability of all countries to enforce an identical set of regulations. Indeed, cynics have commented that one of the reasons that the French were initially fairly laissez-faire about adopting IFRS was that they did not expect that the adoption would be enforced.

What cannot be forecast with certainly is the future role of national standard setters and how the IASB/FASB alliance will play out. The survival of national standard setters depends on them remaining relevant and being seen to influence the standard setter's deliberations. The IASB is a powerful global body, and given the spate of US corporate collapses and scandals linked to poor financial reporting in the early 2000s, the FASB was forced to reconsider its 'stand-alone' approach. While the FASB is now working with the IASB, making realization of a truly global accounting more probable, it is unclear whether that probability will be realized through FASB or IASB dominance.

Conclusion:

The past decade has seen enormous attention and effort focused upon the convergence of accounting standards. While progress has been substantive, it is important to reflect on the subtleties of the differences (commitment, timing, processes and scope) across countries and to understand that the effects of accounting standards globalization extend beyond mere reporting to economic, social, politic, religious and cultural outcomes

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THE RISKS OF FINANCING ENERGETIC PROJECTS

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Abstract: Working the electric energy system involves many risks that are assumed by the electric energy companies, investors, supplier and customers, as a consequence of interdependence between micro and macroeconomics issues. Main risks that can make an impact on electric energy refer to the following aspects: supplying security, services quality, developing new technologies, electric equipments running, public health and environment.

Keywords: energetic projects, risk, technologies

Risk concept

In a competitive economy, any legal entity subscribes to the idea that risk and uncertainty are always present in all economic activities. The difference between the two concepts is important mainly in the process of decision making, because the set of economic factors and phenomena that affect/influence the results of the system functioning can have different degrees of uncertainty or risk.

Uncertainty implies an evasive/ambiguous anticipation of elements so that a forecast of what might happen cannot be made. Thus, in case of uncertainty, subsequent/ulterior evolutions of processes and probabilities are unknown, unlike in the case of risky situations which derive from uncertainty and which can anticipate events that might happen without providing an exact forecast of possible results [4].

Studying the economic literature regarding the risk reveals the lack of a unique opinion concerning the definition of the risk in favour of several senses of this notion. The term of risk (periculum, risk, riesiko, rischio) can be found in any language and it is defined by the Romanian Explanatory Dictionary as “a possibility to find oneself in a dangerous situation, having to face a difficulty or to suffer a loss.”

Thus, the first independent approach regarding risk can be found in *the classic theory* of economists like Rastrighin and Raisberg; in their opinion the risk is limited to a mathematical expectation of the losses which can occur when choosing one of the possible variants, known as a “possible loss”. *The neoclassical theory of the risk* promoted by economists like Marshal and Pigon in the 30s shows that the purpose of the managerial activity of a company is “the amount of expected profit and the variable degree of the possible risk.”

In specialized literature there are a great number of definitions for the term risk in which the authors try to find new equivalents in the investment activity. In the Management Dictionary published in Paris in 2001 it is mentioned that the risk comprises four essential ideas such as: *the idea of menace or danger, the idea of cost, the idea of possible degree of the situation and the idea of intended presentation of a danger* determined in order to get an advantage. In 1983, in the definition given for the country risk, the Organization for Economic Co-operation and Development asserts that the risk reflects the possibility that an event forecasted with a certain probability can materialize and influence negatively the economic processes of investments.

The complexity of the risk category has challenged a series of well known Romanian specialists to define this term. Starting from a direct connection between investment and risk, academician Emilian M. Dobrescu defines the risk as a probable analysis of the possibility to obtain favorable or unfavorable results in a business, of a future event which is likely to happen and can bring about certain losses, while in specialized dictionaries, the authors consider the risk as being a future event which might result in losses.

Economics risk classification

In economy, the risk can be characterized according to the factors which produce it and according to its degree, having in view the company's ability to adapt itself and to respond efficiently to any changes that occur in the company's environment. Transposing the science of management and the valuable elements specific to management in the field of pragmatic management activity implies a classification of the economic risk in several categories .

The classification starts from *the possibility of the forecasting degree* of the risk and it points out two important types, such as *predictable risks*, which are determined by factors that can be predicated so that their effects would be eliminated or reduced through appropriate measures and *unpredictable risks* which, unlike the first category, are determined by factors that cannot be forecasted and reducing their effects is very difficult, expensive and most of the times impossible.

The types of risk are various and their occurrence is related to the type of activities, therefore risks can fall into the following categories [2]: *economic risks*, determined both by the evolution of the company's environment and by the quality of the economic activity carried out within the company (the risk of increasing inflation, the economic risk or the exploitation risk, the investment risk, etc.); *financial risks* due to accessing and using financial resources (insolvency risk, the risk of reducing profitableness, the risk of running into heavy debts and losing autonomy); *commercial risks* associated with purchase and selling operations of the company on the domestic and foreign market (the price risk, the transportation risk, the sale risk); *production risks*, generated by technological and organizational malfunctions which occur during production processes (the risk of not meeting the expected quality indicators, the risk of not turning out expected quantity of products, the risk of exceeding the allowed quantity of consumables, the risk of rejected products, the risk of industrial accidents, etc.); *political risks* which derive from changing the strategy, the tactics and the current actions of political factors in that particular country, in countries with whom the company has direct connections and in great international corporations (the risk of reducing imports/exports, the risk of limiting currency transfers, the risk of forbidding the product in certain states, etc.); *social risks*, determined by the relationship with the company's employees and their behaviour (the risk of disappointing the employees, the risk of enormous expenses with the labour force, etc.); *judicial risks* related to the effect of national and sometimes international legislation upon the activities of the company (the risk of losing of damaging the products, the risk of not cashing in the amounts of money corresponding to the economic operations, the risk of losing the property, the risk of paying additional taxes); *natural risk*s owing to natural disasters or to other major causes where the natural factors have a decisive weight (fire risks, earthquake risk, flood risk, etc.).

Many specialists believe that according to their ***content and nature***, risks can be divided into *commercial* and *non-commercial risks*. The first category is based mainly on the price risk, the currency risk, the inflation risk, credit sale risk, the risk of not meeting the contract clauses, etc, while non-commercial risks refer to different natural disasters, the state of war, political and legislative instability, etc.

According to their location, risks can structured as *internal risks*, located within the company and related to its functions, the most important of them being the risks of the human capacity factor, the production risks, product logistics risks and *external risks* which can be found within the outside environment of the company that is involved in international transactions and they materialize in contract risks, conjuncture risks and political risks.

Regardless of the type of risk, in order to avoid the negative effects which may occur, the manager must consider all action modalities, among which the most significant are: *avoiding risks* – it implies giving up the decision options for which a materialization looks uncertain; *reducing risks* – by laying good foundations for decisions and for the decisional process, avoiding thus hasty/foolish/beforehand decisions based on insufficient information; *standing/assuming the risks* – is recommended when the potential loss is too small to have unfavourable consequences upon the company's activity; *transferring the risks* in the charge of an insurance company.

Energetic industry risk factors

When making investments, managers must assume risks because they are predictable and thus, uncertain. Speaking about investments an risks within the energetic field, Walt Patterson says that "in case of monopoly, investing in very big systems is attractive because… the risk of investors is reduced/low" even though the period for amortizing the invested capital is rather long [3].

In energetic projects, risk factors are multiple and they refer to the interdependence between the economic aspects on the company level and those on macroeconomic levels, as well as to ensuring technical conditions which must be sharply pointed out in preliminary and feasibility studies and some institutional aspects that are very important during the process of market economy implementation.

Taking into consideration the importance of ensuring the financial resources necessary to carry out an energetic project, as well as the conservative attitude of some investors who usually do not take any risks, it is important to get the correct and whole picture of both categories of risk corresponding to the project (figure no. 1) and the way they can be managed.

The risks associated with the functioning of the national energetic system are shared not only by the companies from this field but also by groups of stakeholders (investors, suppliers, consumers, employees, financing companies, local communities, etc.). If the investors are the ones who take the risk of not being reimbursed the amount of money that was borrowed, of not receiving the dividends or the risk of unfavourable differences between the courses of action, suppliers will be faced with the situation of not being able to recover their claims. Implementing a project in the energetic field implies a great financial value – unlike other industrial branches (the light industry, the food industry, etc.) where the investments in technology are very few and the terms for rendering production capacities into operation are very short - and it is based on the risk management principle, meaning that the part that can influence and control the possible risks must be responsible for managing the funds as well and for developing technically secure projects.

In order to finance an energetic project, there are several major financing options, as results from theory and practice in this field: public financing – by allotting important amounts of money from the state budget, high capital and long term projects have been carried out; companies from the energetic field allocate investment funds (especially in developed countries where companies make enough profit to support production capacities, transportation and distribution); obtaining funds from credit financial institutions (domestic or international commercial banks); attracting capital from financial markets – in this case investments are less intense, they are short term projects and the initial capital is to be reimbursed in a shorter period of time; irredeemable credits, especially for research and for the use of non-conventional resources [1].

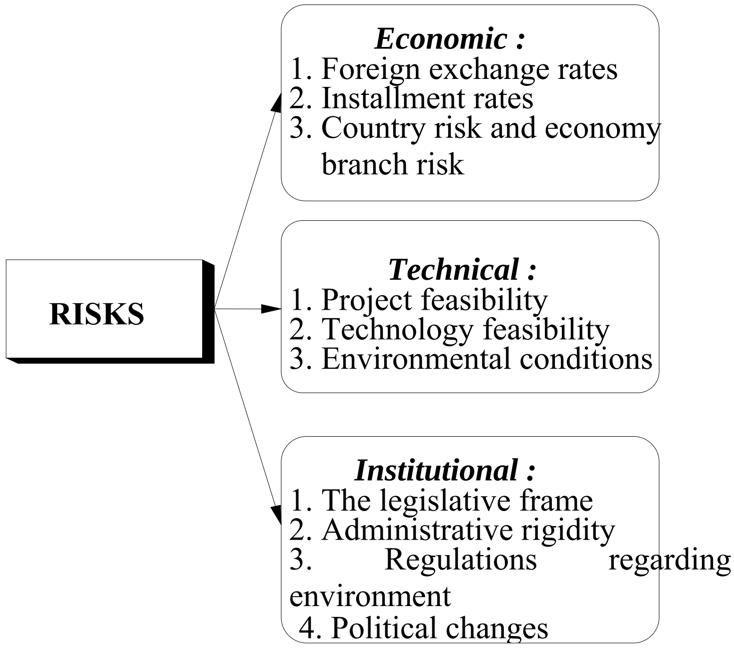

Figure no. 1 Types of risks characteristic to energetic projects

Projects financing of energetic industry

The size of the risk faced by creditors and other participants in the energetic project is proportional to three variables such as the size of the potential loss, the probability of the loss and exposing the analyzed part to that loss. When implementing an energetic project, these variables are influenced by various disturbance factors characteristic to energy such as: the existence of a fluctuant/variable energy demand, inconsistency in maintaining some contracts with suppliers of primary energetic resources, state monopoly or the monopoly of other owners in maintaining an artificial price of electricity and thermal energy or general disturbance factors which amplify the size of risks in any field, for example, an unstable economic situation, eluding the competition principles and the transparency of the markets, the lack of a well defined and coherent legislative environment.

The carrying out of such a project is concentrated exactly upon reducing risks by analyzing the risk-additional income balance sheet, while for attracting creditors to make investments they are trying to find co-participants in the projects, who have the role to support the project company in finalizing it according to the established installment system, on condition of meeting the expected quality standards and by reducing risks to the minimum. There are structural connections between the parties involved in the development of energetic projects, which are considered to be very complex objectives – materialized mainly in authorizations and contracts – regarding the delegation of responsibilities, dominated by financial relations (figure no. 2).

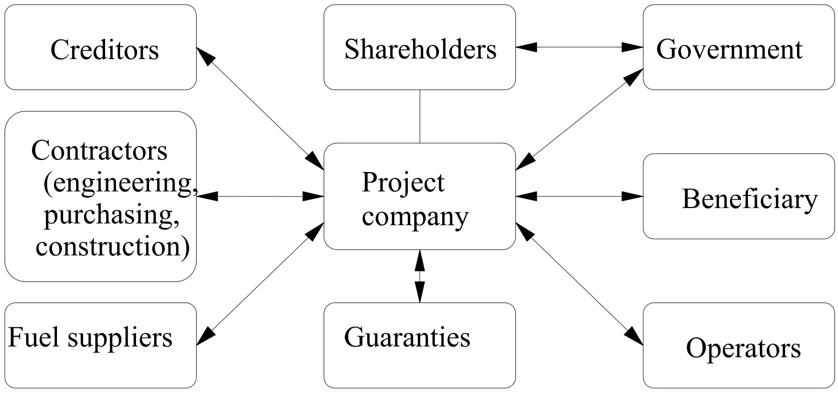

Figure no. 2. Participants in financing energetic projects

It is remarkable, thus, the government's support, which mainly takes the form of governmental guaranties, especially for external credits, but there are also other implication instruments of this institution, such as an optimum policy that ensures access to primary energetic resources, supporting the project in case of legislative changes or undertaking external risks, signing concession contracts or license contracts.

According to the various phases of the energetic systems' or equipment's life cycle, risk analyses have different objectives: during *the conceptual phase*, the following steps are followed: identifying the main elements which determine risks and the most significant factors involved in the process, identifying and evaluating security measures, prevention measures and risk reduction measures that can be forecasted since the beginning of this phase, supplying the necessary information in order to evaluate the acceptability of systems or energetic equipment; supplying the necessary data in order to elaborate the procedures for normal and emergency condition functioning; evaluating risks and correlating them with the existent prescriptions; comparative analysis of given alternate solutions; *the construction, exploitation and maintenance phase* refers to: studying and analyzing the behavior of energetic equipment during operation in order to compare predicted performances with accomplished ones; getting the necessary access information for optimizing the normal functioning of energetic equipment and maintenance procedures; evaluating the effects of energetic equipment structure changes after being operational, etc*; the phase of deallocating energetic equipment* refers to getting access information for elaborating appropriate deallocation procedures, besides identifying and evaluating the risks characteristic to this phase.

The risks of investing in the energetic field do not refer only to those elements regarding that certain investment, but they must also be studied from the point of view of future production capacities exploitation; the strategic objective of the National Energetic System is to create optimum conditions for the safe operation of the subsystems in order to supply the necessary quantity and quality of electricity. Thus, at the level of this system, we consider that an analysis of the risk factors allows us to identify a main risk related to the continuity in supplying electricity to consumers and other risk factors which derive from the interdependence of the components of the system [1]:

- The price of raw materials, which plays an important part in the decisional investment process, considering the fact that it becomes a significant component of variable costs incorporated in the final product; thus, if the price of raw material is not a risk factor for a hydro-electric plant, the high fuel costs for other types of plants – 40% for a coal power plant, 15% for a nuclear power plant and 65% for natural gas power plants - and an eventual increase of fuel costs bring about high and uncompetitive prices for the electricity produced on a market opened for electricity;

- Power plant exploitation and maintenance costs generally represent a predictable factor as an element of expenditures; however, there are cases when for some modern plants which use renewable resource technologies, this kind of expenditure experiences an unexpected growth and thus, there is the risk of an inefficient economic activity;
- The effects upon the environment – implies high ecological risks for the thermo-electric and nuclear-electric subsystem, while the costs of maintaining and assuring the quality of the environment during energy production are growing because international standards regarding the environment set strict regulations for the production and storage of solid waste, for air pollution, for charging and discharging cooling water in condensers, for locating the installations which need to be integrated in the local land use planning, etc.;
- Weather conditions represent risk factors for the hydro-energetic subsystem because of the precipitation /rainfall volume and also for the thermo-energetic subsystem considering coal transportation and storage activities.

Conclusions

It is obvious that these factors cannot be treated separately and the risk analyses must also measure the mutual influences among them. Due to a detailed knowledge and analysis of energetic systems and to the use of basic methods (the analysis of the ways and effects of malfunctions and criticality, the event tree and the disturbance/flaw/breakdown tree, etc.) one can evaluate the frequency of unwanted/unexpected events, as well as their consequences.

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METHODS FOR AVOIDING THE DOUBLE IMPOSITION IN THE INTERNATIONAL CONVENTIONAL PRACTICE

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Abstract: The remarkable economic evolutions at global scale are mainly due to the development of trade, technical and scientific cooperation relationships between countries. Respecting the four main principles of the European Single Market related to liberty (the movement of persons, goods, services and capitals) contributed to the wide international business and lead to multiple possibilities of obtaining revenues for an important category of taxpayers.

A significant role in maintaining the favorable investment climate is played by the international conventions by establishing the legal framework for avoiding the double imposition of revenues. In the international conventional practice, avoiding the double international legal imposition is being accomplished by the exemption method and by the credit method. These methods also constitute rules proposed by the tax experts who developed the famous OCED and UN Conventions, and are inserted in the 23rd article (A) of these Conventions.

Key-terms: double economical imposition, double international juridical imposition, and the exemption method, the crediting method.

Introductory Aspects:

The actual development level of the contemporary society is owed to a complex of factors that interact at social level. The limited natural resources, the demographic increase, the respecting of the fundamental human rights have determined that humankind to evolve in the economical, social, political, cultural and spiritual fields. The appliance and expansion of the four base principles of functional market economics that harden liberty (the movement of persons, goods, services and capitals) contributed to the development of commercial relations and at the diversification of collaboration and cooperation relations between the states of the world.

Important modifications are noticed in the structures of national economies and world economy because of the businesses has gone international. Incredible development of computer science, the upgrading of technologies from the field of automatic and mechanical production processes, of favorable investment flux allowed the transformation of the economical-social systems, from systems based on traditional production and work factors, into systems based on knowledge and informatics, with consequences upon the ensemble of life.

The respecting of the four base principles of market economy and international affairs, which represent an important and defining trait of our modern days, have created favorable possibilities for obtaining and increasing of incomes. But this phenomenon also attracts the imposing of incomes. The imposing way of these revenues could decrease the interest for the development of cooperation and collaboration relations between states if there are imposed all the incomes that a person has in it's home state, no matter what origin country the revenues have. Therefore, the taxes can become in some cases, obstacles in the international technology transfer, into the expansion of the economical and techno-scientifically relations and cooperation between states, into the building of representatives and subsidiaries outside the borderlines of countries and in the accomplishment of capital placements, etc.

That is why the role of the international conventions is a very important one into the maintenance of the investment international climate through the elimination of the double imposition.

The purpose of the international fiscal conventions

The official opinions regarding the purposes of the fiscal conventions include the following objectives:

- The elimination of the international double imposition;
- The prevention and the control of the fiscal evasion;
- The certainty assurance about the fiscal regime for the investors and commercials.
- The elimination of the discrimination in the taxing system

Through the conclusion of the bilateral fiscal conventions it is created a legally cadre, to eliminate the fiscal barriers and of financial certainty into the international economical, techno-scientific and cultural operations.

The phenomenon and forms of double imposition

The phenomenon of double imposition appears when the same imposable material is taxed twice or more times into the circle of the same financial exercise. The importance of the studying of the double imposition has determined the creation of a new branch into the International Law, that is "The law of double international imposition". The fiscal doctrine is distinguishing two forms of double imposition and those are:

- The double economical imposition
- The double juridical imposition

The double economical imposition is the appliance upon an imposable material, of two or more taxes that are designated to the same authority or different public authorities in the same financial exercise. A very good example, but also the most important and frequent form of economical double imposition (considered by the American and European specialists) is the imposition of the revenues of the corporations.

In the following part we shall present such an example:

Gross profit per corporation…………………30 000 euros
Taxes per profit, 16%…………………………4 800 euros
Net profit……………………………………...25 200 euros
Tax for dividend………………………………4 032 euros
Total taxes……………………………………...8 832 euros

The economical double imposition from the presented example is a combinative form of imposition because it unites the physical person and the juridical one into the imposition domain. The corporation (society) supports the profit tax and the shareholder the dividend tax through the distribution of the profit as dividend.

Another classical example is at some aboriginal products (tobacco, alcohol etc) to which are first applied the taxes and then the added value tax. If the same products come from import from a state that is not a member of the European Union there are applied with a third tax, that of the customs taxes.

The double juridical international imposition appears when is applied on an imposable material in the same financial exercise the same tax type to the same taxpayer, but in different states.

A classical example of double juridical international imposition would when a person that isn't living there would be obliged to pay an income from the dividend:

- In the home country of the dividend (shareholder at the resident society)
- In the state where the shareholder lives

In this case, the subject of the imposition is suffering of double imposition for the same income that is in the state where the incomes comes from and in the state of residence.

The fiscal experts who have elaborated the Conventions Model OCED (The Organization for Cooperation and Economical Development) and UN (The United Nations) and those Comments observe that the double juridical imposition appears in the following situations:

a) If every contractual state imposes the total incomes and fortune of the same person, which means it takes place the competing integral imposition.
b) If a person resident of a contractual state obtains incomes or posses fortunes in the other contractual state and when both contractual states impose that fortune.
c) If every contractual state imposes one and the same person which isn't a resident of both contractual states, for the incomes that he gets from a contractual state or for the fortune he posses there. This is the situation when a person that doesn't live there has a permanent or a fixed base through which gets incomes or possesses fortune in the other contractual state.

Methods to avoid the double imposition

In conventional fiscal practice, the avoiding of double juridical international imposition is done through:

1) The exemption method (the exoneration of payment-in French: méthode de l'exemption)
2) The credit method (In French – méthode de l'imputation)

1) The exemption method

In the case of the exemption method, the residence state of the beneficiary of a certain income doesn't tax the incomes that according to the fiscal conventions are imposed in the other state, that is in the source state or in that where the imposable fortune is located, a permanent or a fixed base. The exemption method is used in the two values fiscal conventions.

The total exemption method

According to this variant, the resident state of the income beneficiary, at the determination of the imposable income of its resident won't take into consideration the imposable income of that in the source state and neither the afferent income of a permanent or fixed base from the other contractual state.

Therefore, he will only take into consideration only the rest of the imposable income. That way, through the inconsideration of a certain income it is given a tax exemption. The residence state doesn't enter into their accounts the existence of the incomes that are tax exempted when they determine the imposable income of the taxpayer that is resident in that state.

The progressive exemption method

According to this variant, the imposable income into the other contractual state (which is the source state of the income, the one where the permanent or fixed base is) is not imposed in the state where the beneficiary of that income is resident. In exchange, this state keeps the right to take into consideration this income. In the same way is done in the case of the fortune imposition.

2) The Crediting Method

As for this method, the residence state calculates the imposition owed by one of its residents on the base of all the incomes of this taxpayer. This means that in the imposable income the residence state will also include the imposable income in the state where the permanent or fixed base is. From the total tax, previously fixed from the sum of all incomes (or fortune) that are imposable, the residence state will deduce the paid levy of it's resident into the other contractual state. The crediting method in the International Fiscal Conventions is used in two variants.

The total crediting method

According to this method, the residence state will deduce from the afferent tax of all the imposable income (fortune) of the taxpayer the total sum of the tax paid by him in the other contractual state.

The ordinary crediting method

In this case, the residence state deduces, with the name of paid tax in the other contractual state, a sum that can be equal or smaller than the actual sum paid to the source state. Therefore, in the cases where the heights of the taxes in both contractual states are the same and when the height applied in the residence are bigger than in the source state, the fiscal credit given by this one is equal to the sum of the so paid tax in the source state.

When the heights applied in the residence state are smaller than those practiced in the source state appears the following situation; the residence state deduces with the name of tax paid in the other contractual state a sum smaller than that effectively paid in the source state. Since the fiscal credit given by the residence state to its taxpayer is smaller than the tax paid by him in the other contractual state, therefore the ordinary crediting method leads only to the partial (limited) avoid of double imposition.

Rules proposed by the Model OCED and UN Conventions

The Model OCED and UN Conventions envisage in the 23rd art. (A) the following rules:

The 23rd art. (A) Indented line 1: When a resident of a contractual state accomplishes incomes or possesses a fortune, which according to the dispositions of the Convention are taxable in the other state, the residence state exempts of tax (exonerates), except these incomes or this type of fortune.

The 23rd art. (A) Indented line 2: When a resident of a contractual state accomplishes elements of income, which according to the dispositions of the articles referring the dividends (10) and usury (11) are imposable in the other contractual state, the residence state gives from the tax it takes from the incomes of this resident, a reduction equal to the tax paid in the other contractual state. This reduction can't go above the fraction of the tax calculated before the reduction according to the income elements that were communicated by the other contractual state.

The 23rd art. (A) Indented line 3: When, according to a disposition of the convention, the incomes that a resident of a contractual state accomplishes or the fortune that it possesses are exempted of taxes in this state, this state can still take into consideration the exonerated incomes and fortune for the calculation of the tax upon the rest of incomes or fortune of the resident.

Conclusions:

From the three indented lines above we can notice that:

- The first indented line refers at the total exemption method
- The second indented line refers to the total crediting method (applied in the part-taking cases of the imposing right of some income elements such as usuries, dividends, etc)
- The third indented line refers to the progressive exemption method.

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AUDIT FIRM ROTATION AND AUDIT QUALITY

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Abstract: The major financial reporting failures at Enron and WorldCom, as well as apparent failures at Qwest, Tyco, Adelphia, and others, led to the financial reporting reforms contained in the Sarbanes-Oxley Act of 2002 (SOA). SOA's reforms directly related to auditors include the establishment of the Public Company Accounting Oversight Board (PCAOB), increased audit committee responsibilities, and mandatory rotation of lead and reviewing audit partners after five consecutive years on an engagement.

In addition, regulators and the business press have shown interest in considering whether long-term relationships between companies and their auditors create a level of closeness that impairs auditor independence and reduces audit quality. Questions have arisen about whether SOA's requirement to simply rotate personnel - the lead and review partners - within the same audit firm is adequate.

Keywords: audit, audit firm, audit quality, audit firm rotation.

SOA section 207 required the U.S. comptroller general to conduct a study to review the potential effects of requiring mandatory rotation of registered public accounting firms. The subsequent study by the General Accounting Office (now the Government Accountability Office), issued in November 2003, *Public Accounting Firms: Required Study of the Potential Effects of Mandatory Audit Firm Rotation*, concludes that the benefits of mandatory firm rotation were not certain and that more experience with the effects of SOA's other requirements was needed. The study also acknowledged that nearly 99% of the Fortune 1000 public companies have no public accounting firm rotation policy.

The ultimate question about mandatory audit firm rotation is whether such a policy enhances audit quality, and if so, at what cost. Operationally, the primary audit quality question is whether such a policy will lead to more-independent auditors performing better audits by either detecting or reporting material misstatements in the financial statements, or whether the constant rotation of audit firms will result in inferior audit performance. Three related conditions affect issues of audit quality and audit firm rotation:

- Closeness to client management;
- Lack of attention to detail due to staleness and redundancy; and
- Eagerness to please the client.

1. Closeness to Client Management

Why audit firm rotation might be the answer. The nature of auditing requires that auditors interact extensively with their clients. Long-term relationships may result in a troublesome degree of closeness between management and the auditor. Enron and Andersen, its long-time audit firm, provide a graphic example:

Andersen auditors and consultants were given permanent office space at Enron headquarters here and dressed business-casual like their Enron colleagues. They shared in office birthdays, frequented lunchtime parties in a nearby park and weekend fund-raisers for charities. They even went on Enron employees' ski trips to Beaver Creek, Colo. "People just thought they were Enron employees," says Kevin Jolly, a former Enron employee who worked in the accounting department. "They walked and talked the same way … It was like

Arthur Andersen had people on the inside … the lines become very fuzzy" ("Were Enron, Anderson Too Close to Allow Auditor to Do Its Job?," by Thaddeus Herrick and Alexei Barrionuevo, *The Wall Street Journal*, January 21, 2002).

When a contentious issue arises, this close relationship may create a conflict of interest for the auditor that can adversely affect the audit process. The auditor could identify closely with management's perspective and not exhibit sufficient professional skepticism. In addition, management can take advantage of the auditor's conflict by making a personal appeal for compassion and support. Concern with this issue is not new. More than 40 years ago, in *The Philosophy of Auditing*, authors Robert K. Mautz and Hussein A. Sharaf warned auditors:

The greatest threat to his independence is a slow, gradual, almost casual erosion of this honest disinterestedness—the auditor in charge must constantly remind his assistants of the importance and operational meaning of independence.

A study released in 2003, GAO *Kills Mandatory Auditor Rotation* (Fulcrum Financial Group), found that the average auditor tenure for Fortune 1000 companies is 22 years—and it would have been much higher except for the demise of Andersen. Also, 10% of the companies in the study were found to have had the same auditor for 50 years, with the average tenure of this group being 75 years.

In addition to affecting the audit process, close auditor-management relationships have also resulted in many auditors being hired by former clients. This issue received increased attention when it was revealed that many Enron employees had previously worked for Arthur Andersen. Company personnel may be the auditors from the past, and current auditors may be auditioning for future employment. SOA includes restrictions on such hiring practices.

Why audit firm rotation might not be the answer. Even if one accepts the existence of a potential personal closeness to management as a problem, auditor rotation may not solve the problem. Auditors must interact with management on a daily basis during the audit, and such relationships are bound to occur regardless of the length of the audit relationship. Indeed, a client must feel comfortable with an auditor and be willing to share information and discuss problems when they exist. While auditors must always maintain a level of professional skepticism, this auditor-client communication is often a function of mutual experience. Examining documents is critical to an auditor, and client cooperation is tantamount. An auditor must be able to gauge when the client is not revealing all available information, and this often comes from knowing the client and its management. Auditors from a new firm are faced with a "getting to know each other" stage and are unlikely to have the necessary open, respectful professional relationship that builds over time. The close relationship contributes to knowledge-sharing and is critical to the audit process. A close auditor-management relationship may also not present a problem if the auditor can remain objective during the audit process and provide a reliable opinion on the company's financial statements. Recent research (Taylor, DeZoort, Munn, and Thomas, *Accounting Horizons*, 2003, Issue 3) has argued that auditor reliability should be emphasized by the accounting profession because the fundamental goal of an audit is to provide assurance on the reliability of the financial statements. The authors suggest that auditor independence, integrity, and expertise are all necessary, but are not sufficient conditions for achieving auditor reliability. Even though an auditor's independence may appear to be compromised, as in the case of a close relationship with management, she can still provide an objective and reliable opinion on the financial statements if she possesses expertise and exhibits strong integrity.

2. Staleness and Redundancy

Why audit firm rotation might be the answer. Auditors may become stale and view the audit as a simple repetition of earlier engagements. This staleness fosters a tendency to anticipate results rather than keeping alert to subtle but important changes in circumstances. Auditors returning to an engagement rely on prior-year workpapers to help plan the audit, set the budget, and provide valuable information needed for the current-year audit. Many prior-year schedules are used to develop current-year information. But a problem is created when auditors, especially less-experienced staff, overrely on these workpapers. This problem is likely to be exacerbated when the current-year auditor is reviewing his own workpapers from the prior year. Considerable behavioral research has examined this issue in an attempt to determine if such reliance is a significant problem. The results are mixed, but audit firms have recognized the significance of the reliance on prior workpapers and have taken steps to mitigate this potential problem. Yet, for whatever reason, the great preponderance of high-profile financial reporting failures occurred in circumstances where the audit firm had been engaged for many years.

Why audit firm rotation might not be the answer. Having performed the prior-year audit often produces significant benefits that increase audit effectiveness. The familiarity the auditor has with a company provides a better understanding of the issues and a better appreciation for the changes that have taken place from one year to the next. Given the complexity of many of today's corporations, it is difficult for an auditor to completely understand a company's business in a short period of time. Audit failure rates have been demonstrated to be higher when the auditors are new and have not yet developed the institutional knowledge necessary for a comprehensive audit. Rotation of personnel on an engagement typically occurs within a firm as individuals receive promotions, retire, or move to other clients.

3. The Position of Accountancy Institutions

The businesses that provide audits seem uniformly against required firm rotation. For example, *Accountancy Age* (September 1, 2003) reported that 20 of 21 firms responding to a survey were against mandatory firm rotation.

The AICPA, which historically has represented audit firms in federal hearings, both currently and historically, has opposed mandatory audit firm rotation, arguing that it will increase rather than decrease the number of audit failures. These arguments generally cite the statistics indicating higher than average audit-failure rates in the first years of an audit relationship.

The recent GAO study on audit firm rotation also reported that auditor tenure does not affect the manner in which auditors deal with material financial reporting issues. A GAO survey found that approximately 69% of the Tier 1 CPA firms (10 or more public clients) and 73% of the *Fortune* 1000 public companies surveyed did not believe long-term auditor relationships increase the risk of audit failures. Yet, 38% of these CPAs and 65% of the *Fortune* 1000 company respondents acknowledged that investor perceptions of auditor independence would increase under mandatory audit firm rotation. These two groups also indicated, however, that the costs of mandatory audit firm rotation would exceed the benefits.

The issue of audit firm rotation has not been limited to the United States, and considerable insight can be gathered from non-U.S. countries. Several countries (e.g., Spain, Turkey) have adopted and subsequently dropped mandatory audit firm rotation because it did not achieve public policy goals. In Italy, the Bocconi University Report concluded that audit firm rotation, which is mandatory in Italy, is detrimental to audit quality but does seem to have a positive effect on improving public confidence in the corporate sector.

4. Unanswered Questions

The net effect of audit firm rotation is uncertain. On the one hand, it is bothersome that auditors placed in a situation where no rotation is expected are more likely to agree with a client on a difficult accounting issue. Logically, an expected long-term stream of audit fees could also result in different decisions, due to either conscious or subconscious reasons. Despite these considerations, the research indicating high first-year audit failure rates suggests that rotations might result in auditors with higher perceived independence performing lower-quality audits. Many other potential effects of mandatory audit firm rotation remain unmeasured. For example, how will a much larger annual supply of possible new audit clients affect auditors? Will marketing ability trump technical competence in winning new engagements?.

Even the high audit failure rates in the early years of an engagement are uncertain. Under mandatory rotation, would the increased number of first- and second-year audits lead to a higher level of auditor skill in these circumstances and to a lower level of audit failure? Or, could a closer working relationship with the predecessor auditor limit early-year audit failures?

Another issue relates to audit firms themselves. Given that the Big Four handle the bulk of the large publicly held corporations, will rotation involve only these four firms? Are non–Big Four firms able or willing to handle large SEC audits? Will audit firm incentives to specialize in specific industries be diminished because the possible future benefits do not outweigh the current costs of training auditors? Anecdotal evidence suggests that the Big Four will gain greater market share if rotation is mandatory, which will lead to a less competitive environment without addressing the related policy issues. Less competition will probably lead to substantially higher audit fees—firms estimate that first-year fees would increase by more than 20%—and significantly higher costs for companies. (Estimates are that the additional costs associated with selecting and assisting new auditors are at least 17% of a company's current audit fee.)

The idea of enhancing auditor independence through mandatory audit firm rotation appeals superficially to many, yet the net effects of rotation are far from certain. The impact of SOA reforms is not yet known. Safeguards are now in place to address many of the key concerns relating to the independence and objectivity of the audit firms. In addition, companies and their top management are taking a more active role in oversight of the system in place to prepare accurate financial statements and prevent abuse. Experience and further research related to both audit firm rotation and these changes may lead to a more informed decision on mandatory audit firm rotation than is now possible.

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POSSIBILITIES TO CONTROL TAX EVASION

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Abstract: Tax evasion became ubiquitous at economic and social level. The magnitude of tax evasion became alarming because the lack of control measures may attempt to national economy stability. Economically, a balanced condition of the state budget would lead to macro economic balance and providing the conditions for an economic development.

In Romania, occurrence and action of the tax evasion phenomenon is more dramatic more the Romanian society is not only at a change moment in its existence but pass through a deep economic crisis. The tax evasion phenomenon is under the incidence of two categories of factors: endogenous, materialized into tax authorities (parliament, government) and exogenous, expressed through economic, social, cultural and psychological variables.

Keywords: evasion, taxes, control measures

1. Characterizations and Forms of Tax Evasion

Tax evasion is circumvention from taxation of a higher or lower part of the taxable matter. This phenomenon, tax evasion, may be found both on national and international level.

In Romania, like in other countries, tax evasion and fraud represent an important share of the underground economy. If , for other countries the weight of these underground economy components represent from a half up to two- thirties, in Romania this share of whole is probably higher, for two reasons, at least:

• drugs, money laundry, extortion, are not at very high magnitude yet;

• conditions to fraud the tax system and a conjuncture favorable to evasion are very friendly so that the phenomenon growths and has relatively high ascendant measures, much higher to those of official economic growth.

The crime of tax evasion means commitment with purpose of circumvention from fulfillment of fiscal obligations of the following actions:

a) concealment of the goods or of a dutiable or taxable source;

b) omission, in whole or in part, of recording, into the accounting books or in other legal documents of the commercial operations carried out or incomes achieved;

c) recording, in accounting books or other legal documents, of expenses that are not based on real operations or recording of other dummy operations;

d) alteration, destruction or concealment of accounting documents, storages of electronic fiscal taxation and registering devices or other means of data storage;

e) keeping of double accounting records, using writs and other means of data storage;

f) circumvention from financial, fiscal or customs audits, by failure to declare, dummy declaration or inaccurate declaration with regard the main headquarters or secondary headquarters of the audited persons;

g) substitution, damaging or sale to a debtor or a third party the seized goods according to the Code of Fiscal Procedure and the Code of Criminal Procedure.

2. Functions and Acts of Tax Evasion

Causes and circumstances in which tax evasion phenomenon takes place led to definition of a general function of this one, determined – in the long run – by a single variable: tax policy.

In Romania, occurrence and action of the tax evasion phenomenon is more dramatic more the Romanian society is not only at a change moment in its existence but pass through a deep economic crisis. The tax evasion phenomenon is under the incidence of two categories of factors: endogenous, materialized into tax authorities (parliament, government) and exogenous, expressed through economic, social, cultural and psychological variables.

The action field of tax evasion is as extension and larger and more varied is the duties application field.

Depending on the way in which it can be accomplished, the tax evasion has two forms of actions:

- legal evasion (accomplished under the law shelter);
- fraudulent evasion (illegal).

2.1. *Legal tax evasion*

Allows circumvention of a share of the taxable matter, without considering it contravention or crime.
Its frequency is higher when laws are changed or new laws are implemented and also when the state uses intently the duty with the purpose to promote some economic policies stimulating some social and professional categories or some activity field.

- *Granting of some tax relieves* (as exonerations, part exception, reductions, deduction) is a favorable frame for avoidance or circumvention from payment of fiscal duties through some procedures.
- *Granting of some exceptions temporally limited*, in the case of set up of new commercial companies, from the payment of tax on profit, is another example.

Another possibility to produce legal tax evasion is the existence of the “fiscal paradises” where both natural persons and legal persons arrange their domicile and headquarters and where they conduct the profit achieved on another country territory, avoiding the fiscal authorities.

Legal tax evasion may be avoided by correcting and improving the juridical frame by means of which it become possible, even that some political, economical and social interests determine the tame acquiescence of some evasion situation.

2.2. *Fraudulent evasion (illegal)*

Supposes deliberate avoidance of fiscal laws and it is sanctioned through pecuniary and confinement measures.

The illegal tax evasion has the following forms:

a) *traditional evasion* (through dissimulation), that:

- consists in circumvention, in part or in whole, from the payment of fiscal obligations, either through elaboration and handling of incorrect documents, or through failure to produce the documents requested by the applicable law;

- it includes the following main procedures: production of false fiscal declaration or failure to produce them; intended reduction of collections, with the purpose to reduce the value added tax and taxable profit , through collection in cash without receipts and sales without invoice; intended increase of expenses in order to diminish the taxable profit; illegally production and sale of economic goods and services; carrying out of professional activities paid furtively (black market); reduction of received heritage values and transaction with real estate and so on;

b) *evasion through assessment* consists in reduction of stock values, over estimation of paying off and provisions, with the purpose to move the profit in time.

Tax evasion does not act only al national level, but international also, due to increase of international economic cooperation and development of relations among states with different fiscal systems and with a different level of taxation.

A method very used by the transnational companies, with the purpose of circumvention from taxation a part of profit, is the set up of branches in countries where taxation is more reduced and organization of artificial relationship (as a rule, records) between them and production units found on another country territory , where taxation level is higher. These "fiscal oasis" or "fiscal paradises" are met in Switzerland, Luxembourg, Panama, Bahamas, Liechtenstein, Cayman Islands etc.

3. Tax Evasion in Romania

In Romania, tax evasion takes different forms.

3.1 *Forms of Tax Evasion*

- practicing of prices lower than the delivered gross products and implicitly calculation of excises depending on that prices and not on effective costs of products;
- failure to enter in accounting book the revenues achieved;
- use of forged external invoices, where are written prices lower than the real ones;
- in the case of authentication of the building sale documents, the parties often agree that the price of sale written on the authenticated sale-purchase document is lower than the real one, so that the stamp tax is calculated to a lower level;
- non-declared sales (those carried out without production of appropriate documents and without their recording in the accounting book).
- false deduction (it is achieved through production of forged invoices);
- intended errors of recording;
- unreasoned reimbursement request, when it is requested the reimbursement of taxes in connection with some exported goods or for goods for which the law allows deductions, but without these operations would have been done.

A very disseminated case is that of requesting the VAT deduction by two economic agents for the same exported goods, whose documents circulated among many companies; for this reason, the proof of export has not be connected exclusively to customs documents, but to an assembly of elements as, besides the invoices and the documents existing in bank regarding the payment methods, correspondence regarding the transaction etc.

The measures taken aim to recalculate the export value and re/dimensioning of the deducted VAT, determining the differences requested and illegally reimbursed and legal increase calculation also.

In the state with an older taxation system, adapted to private property and market economy other forms of tax evasion (fiscal fraud) are practiced too

- *long-term fraud*, when a company creates during the time a solid reputation of respect and honesty, and after that suddenly creases the payments declaring the bankruptcy (after the profit transfer in another country):

- *short-term fraud*, when a company is set up (with intention to obtain money through false pretensions), handle a request for reimbursement that is reasonable, and after reimbursement the company ceases its activity, and the receiver vanishes;

- *Phoenix syndrome*, when a company that should pay the VAT liquidates itself or is declared in bankruptcy condition, but another company with the same manager occurs, leaving the fiscal authorities to try to collect the duty from the liquidated company;

- *syndrome of "multiple companies" where* many companies are registers, of which a bogus company, requesting the VAT reimbursement, without the payment of the collected one, after that it vanishes;

- *insignificant manipulations*, through which a series of little changes are done in accounting book, as: omission from counting of some pages, registering of entering invoices many times; incorrect reporting etc., that lead to production of an incorrect VAT settlement.

3.2 *Causes of Tax Evasion*

In the field of tax evasion, the following causes facilitating its action were identified:

• carrying of activities without legal authorization;

• intention to avoid or deliberate infringement of taxation law provisions, with the view of circumvention from the payment of duties, taxes and contributions;

• postponement or refusal to pay fiscal obligation correctly determined;

• incomplete or incorrect management of records which are the basis for determination of expenses, incomes and fiscal obligation.

• maximum exploitation of some incoherence and incongruence of the fiscal laws or arbitrary construing of their provisions with regard fiscal relieves;

• ignorance of fiscal laws.

3.3 *Measures and Sanctions Regarding the Control of Tax Evasion*

Among the measures that may contribute to control the tax evasion in Romania, it has to be mentioned:

- unification of fiscal laws and a better correlation of this one with the assembly of the economic legislative frame;

- elimination of those provisions from the normative documents that may favor tax evasion and a better correlation of fiscal relieves;

- re-organization of territorial structures of the Ministry of Public Finance so that parallelism and superposition in the activity of financial and fiscal audit are avoided, with regard fiscal surveillance, fiscal audit and control of tax evasion;

- issuance of a specialized publication by the Ministry of Public Finance that facilitates the unitary construing of the normative frame regarding the identification and control of tax evasion;

- determination of an optimum ratio between salary and stimulations in order to co-interest the fiscal apparatus;

- implementation of an information system able to provide all data needed for identification, analysis and control of evasion phenomenon;

- setting up of a permanent domestic training of the staff of the Ministry of Public Finance with competences in identification and control of tax evasion.

Implementation of new regulations in order to control the tax evasion in the actual step of fiscal reform is intended to recover the existing situation. These regulations complete the juridical frame of the present fiscal system and put into practice the action tools specific to every market economy, namely, fiscal sanctions.

Fiscal sanctions are multiple, and they may be classified depending on seriousness and application manner, as follows:

a) *fiscal fine* – the most used mean to sanction the fiscal deviations that, depending on seriousness of contributors' actions may be:

- *contravention fine* – applied by the control body, determined in fixed amount expressly ruled by law or proportional contravention fine, that is applied depending on the duty circumvented and it is applied, as a general rule, in case of recurrence or when there are elements of intention;
- *penal fine* – applied by courts, based on fiscal audit in the case of intently infringement of some norms in fiscal matter, considered as breaches;
- compensation interest or increases for delay for failure to pay integrally and on due date the due duties, that is applied in order to compensate the prejudice brought to state for failure to collect the duties in due time;

b) *assets seizure*

Set up of fiscal records represents a new regulation for control of tax evasion. The ordinance approved by Government and came into force on January 1^{st} 2002, aims to prevent and control tax evasion and strengthening of management of the duty and tax due to the state budget.

Importance of the tax evasion control in the VAT area is determined by its weight in the budgetary revenues.

In order to control the tax evasion in the Customs Management area in Romania, the measures provided are:

- organization, at national level, of the activity of assessment of risks with known or potential impact over customs activity, by wording strategies, policies and specific methods;
- identification and management of needs of analysis and assessment of risks in different area of customs activity with the purpose to prevent and control customs fraud;
- use of customs data and information specific for customs surveillance activity and control against customs frauds, domestic or provided by other national or international institutions and organizations, with the purpose to review and assess the risk;
- organizing and providing the information and data exchange with national and international institutions and organizations in the field of prevention and control the customs frauds;
- achievement and providing the quality of risk analysis and assessment at strategic, tactical level and- as appropriate - operational, supporting the making decision process of the persons involved in management act;
- organizing the internal activity of development and use of customs data and information sources specific for customs surveillance activity and control against customs frauds.

Conclusions

Tax evasion became ubiquitous at economic and social level. The magnitude of tax evasion became alarming because the lack of control measures may attempt to national economy stability. Economically, a balanced condition of the state budget would lead to macro economic balance and providing the conditions for an economic development.

In order to control the tax evasion is not necessary to impose severe sanctions, but the fiscal audit should be more effective, the law system more viable and may be, first of all a citizen fiscal education. Fiscal laws should be simple, uncontroversial, accurate and relatively stable and a distinction should be made in the cases when the laws are infringed with fraud intention or when they are infringed by guilt, negligence or due to independent causes that are beyond the contributor's will. It is necessary that the fiscal control and audit are re-organized, new clear norms regarding the conditions to be met and documents to be submitted by natural persons should be produced.

As a final conclusion, it can be said that without a deep and systematic analysis of internal mechanisms – corroborated with the international ones – of the evasion phenomenon it is difficult to move tools and take measures that lead to control and prevention of tax evasion.

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GLOBALIZATION AND ITS IMPACT ON ROMANIAN LOCAL PUBLIC FINANCES

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Abstract: This study is primarily intended to provide the impact of globalization on Romanian local public finances, first of all, mentioning the controversy ideas of the impact of globalization and than reflecting Romanian reality with the help of its relevant indicators.

The framework of this paper is based on a set of research programs and papers made by Romanian institutions as Universities, Central and Local public administrations, Romanian Institute for Public Policies, National Institute of Statistics from Romania, Regional development institutions, and others.

Keywords:globalization, local public finances

Introduction

Globalization is the process of transformation of local or regional things or phenomena into global ones [1]. Taking into consideration the expression "local or regional things or phenomena", it is evident that a role in the globalization process belongs to the local public finances, as the element of local economy, and the last one as a part of national economy because globalization "is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology"[2]. And vice versa, globalization, as a complex process, has impact on each its component elements, and so that, on local public finances, also.

Globalization can also be used to describe a process by which the people of the world are unified into a single society and function together. So, this process is a combination of economic, technological, sociocultural and political forces [3].

Romania tries to respond to the challenges posed by the global economy. She made big steps made into this direction, being party to the majority of the key multilateral treaties and conventions and member of many international organizations (OUN, OECD, IMF, and Council of Europe). Starting with 2007, Romania is a member of the European Union. The impact of globalization is that it creates opportunities for commercial, economic and financial expansion, starting with the local communities.

Controversy ideas of the impact of globalization

Controversy exists regarding the relationship between globalization and the central or local public government. Some specialists consider globalization does not affect government expenditure and revenue [4]. Some argue that globalization forces government to reduce its role in the economy due to the competitive pressures unleashed by economic liberalization. Others argue that increased liberalization necessitates increased government redistribution, and point to rising social public expenditure and taxation as a proportion of GDP as evidence.

Preliminary results indicate that globalization is negatively correlated with social public expenditures as a proportion of GDP regardless of the globalization proxy used, in both the levels and growth models. The results on the relationship between taxation and globalization are more ambiguous: tax revenues as a proportion of GDP are only significantly (and negatively) correlated with globalization in the growth model when proxied by total trade.

Regarding public expenditures, some specialists consider globalization does not affect the composition of government expenditures [5]. According to the disciplining hypothesis, globalization restrains governments by inducing increased budgetary pressure. As a consequence, governments shift their expenditures in favor of transfers and subsidies and away from capital expenditures. This expenditure shift is potentially enhanced by citizens' preferences to be compensated for the risks of globalization ("compensation hypothesis"). Being made an analysis whether globalization has indeed influenced the composition of government expenditures, there were examined the development of four broad expenditure categories for the period 1970-2001: capital expenditures; expenditures for goods and services; interest payments; and subsidies and other current transfers. A second dataset provided a much more detailed classification: public expenditures, expenditures for defense, order, economic environment, housing, health, recreation, education, and social expenditures. The results showed that globalization did not influence the composition of government expenditures.

Some specialists consider globalization does not affect economic growth [6], but others demonstrate that countries with higher globalization have higher steady state growth rates [7]. The first opinion is made examining the hypothesis that big welfare states compensate negative effects of big government through economic freedom and globalization by including the economic freedom index. The study was made on the countries with the biggest government sectors – the Scandinavian welfare states – which are also the countries where economic freedom and globalization have increased the most in the 1980s and the 1990s. Results indicated that government size has a negative growth effect when measured by expenditure, but not when measured by taxes.

The second opinion was developed by many specialists, globalization being measured with a few economic variables, ignoring its social and political dimensions but, in 2006, Dreher has developed a comprehensive measure of globalization with several variables from the economic, political and social sectors. He showed, with the panel data methods, that globalization has positive growth effect implying that countries with higher globalization grow faster.

Axel Dreher shows globalization indeed promotes growth using an index of globalization covering its three main dimensions: economic integration, social integration, and political integration.

On the other hand, there are studies which try to demonstrate globalization does not affect budget composition [8]. The divergences of opinions are very strong and each of them has arguments to sustain their theories.

The impact of globalization on Romanian local public finances

Romania crosses one of the most important periods of its modern history because, on the one hand, is a member state of the European Union and on the other hand Romania must keep its domestic market out of the negative effects appeared from the contact with the free European market. Being a member of EU is a part of another international process, much deeper, globalization.

Romania is during a complex process of reforming economically, socially, institutionally, after the communist system was changed and it has been trying to pass to the market economy. For our country there must be efforts made together with the international community to realize a complex connection between economic adjustment and economic development, between the costs and the advantages of the globalization.

The impact of globalization makes two points of view. First, the actual evidence on the predicted effects of globalization – its impact upon narrow issue of local taxes and upon broader issues of local government autonomy – is suggestive, but is also quite preliminary and somewhat mixed. Second, and more important, while globalization obviously limits the choices that local governments can make in some areas, it also creates the opportunities that local governments can exploit in other areas. Local governments that succeeded in their choices will be the ones that have well-grounded and credible institutions, that are better able to match taxes with expenditures, and that are better able to give taxpayers the services that they wish for the taxes they pay.

The impact of globalization on Romanian local public finances can be analyzed showing the trends in local government finances. Tax collection by local governments have in fact risen greatly in the last decade, at precisely the time that globalization has increased (Table 1).

Table 1. Local public revenues and their percentage on total local revenues over the period 2003-2006 (mil. RON)

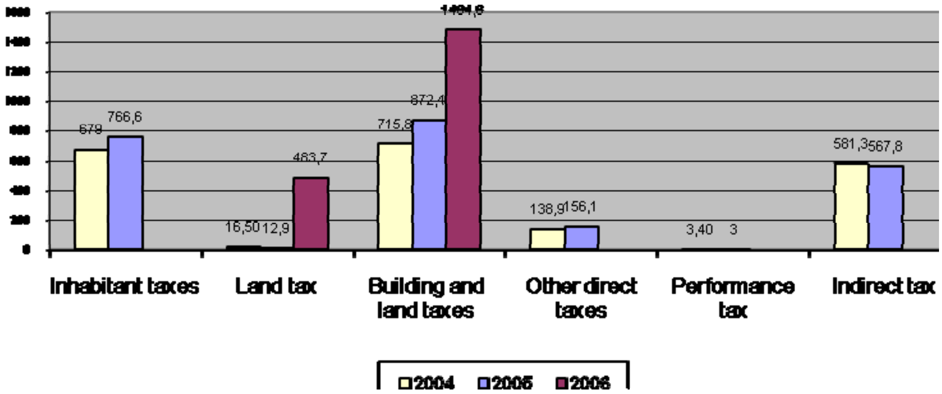
Indicators	2003		2004		2005		2006	
	Sum	%	Sum	%	Sum	%	Sum	%
Revenues - total	13078,1	100	15955,8	100	19480,9	100	27708,6	100
Curent revenues	2285,9	17,47	2747,2	17,21	3149,5	16,16	26172,4	94,45
Fiscal revenues	1825,9	13,96	2177,2	13,64	2414,5	12,34	25236,8	91,07
Non-fiscal revenues	460,0	3,51	570,0	3,57	735,0	3,77	935,6	3,37
Capital revenues	123,9	0,94	328,8	2,06	397,5		518,8	1,87
Revenues with special destination	319,4	2,44	-	0	-	0	-	0
Transfers from the state budget	9374,3	71,67	11909,8	74,64	14667,1	75,29		
Subventions	734,9	5,61	920,2	5,76	1218,1	6,25	1016,4	3,66
Subventions from SB	654,4		834,1		1102,1		1016,4	3,66
Donations	-		19,3	0,12	23,5	0,12		
Borrowings	239,2	1,82	-	0	23,2	0,12	0	

Source: [9]

Globalization implies the ability of any government to choose its tax policies. Local public revenues are collected using local fiscal policies, which are part of national fiscal policies. The tax redistribution is used to assure fiscal revenues to local authorities.

Fiscal revenues have risen over the 2004-2006 period. The evolution is shown in the following charter:

Figure 1: The evolution of local fiscal revenues in 2004-2006



Land taxes are an important source of local fiscal revenues in Romania, but also in majority countries of the European Union. The transformation of land fee in land tax in 2006 generated a rising of these revenues. Indirect tax registered regress. In general, the evolution of fiscal revenues in Romania is a positive one and this contributes to the implementation of local autonomy financial principle.

In Romania, total revenues of the local budgets represented 27708,6 million lei in 2006, meaning 8,4 % from GDP. In the same period of time, in the EU-27, the ratio of local tax revenue to GDP represented 11,2%.In this context, the ratio of local tax revenue to GDP in Romania is not faraway to the average of EU-27.

Overall, local government expenditures have continued to raise year by year (table 2).

Table 2. Local public expenditures over the period 2003-2006

Mil. RON

	2003		2004		2005		2006	
Expenditures - total	**12852,7**	**100%**	**15540,7**	**100%**	**18777,0**	**100%**	**25392,8**	**100**
1. General public services	**1203,1**	**9,36**	**1488,8**	**9,58**	**1908,7**	**10,16**	**3045,7**	**11.99**
2. Social-cultural expenditure	**6775,2**	**52,71**	**8257,0**	**53,13**	**9971,8**	**53,10**	**13574,7**	**53,45**
Education	4202,5	32,69	5194,7	33,42	6401,3	34,09	8683,8	34,19
Health	81,7	0,63	124,6	0,80	138,5	0,73	133,9	0,52
Culture, recreation and religion	542,8	4,22	670,9	4,31	781,4	4,16	1552	6,11
Insurance and social assistance	1948,2	15,15	2266,8	14,58	2650,6	14,11	3205	12,62
3. Services and public development, dwellings environment and waters	**3334,1**	**25,94**	**3156,8**	**20,31**	**3673,4**	**19,56**	**2999,7**	**11,81**
4. Economic actions	**1045,1**	**8,13**	**2203,7**	**14,18**	**2766,3**	**14,73**	**5535,5**	**21,79**
Transport	969,6	7,54	2101,8	13,52	2624,6	13,97	3661,6	14,41
5. Other economic actions	**85,0**	**0,66**	**172,6**	**1,11**	**137,2**	**0,73**		
6. Transfers	**23,2**	**0,18**	**26,8**	**0,17**	**23,2**	**0,12**		
7.Loans	**1,5**	**0,01**	**1,1**	**0,007**	**0,6**	**0,003**	**0,6**	
8. Interests	**23,2**	**0,18**	**109,1**	**0,70**	**80,1**	**0,42**		
9. Credit refunds	**56,2**	**0,36**	**107,0**	**0,68**	**146,4**	**0,77**	**165,2**	**0,65**

Source: [9]

In the context of globalization, local governments decide how to spend the local budget, but imposed the necessity of development of local public investments. In Romania, the current expenditures are still too big. In 2006, the capital investments to local expenditures represented 19, 72%. In the same period of time, the average of EU-27 of capital investments to total local expenditures was 12,7%.

Table 3::The local expenditures in EU countries in 2006

	Romania (million Lei)	EU-27 (million Euro)
Total expenditures	**28761**	**1322956**
Intermediate consumption	7076	331259
Compensation of employees	11608	453157
Interest	330	22186
Subsidies	16	44349
Social benefits	2998	196180
Other current expenditure	1061	76483
Capital transfers payable	0	29912
Capital investments	5672	168419

Source: [10]

A relevant indicator for the level of taxpayer satisfaction in a global economy is local public expenditures to GDP. This indicator allows estimating the amount of local public expenditures in accord with the economic and social development of each state. In 2006, local public expenditures represented 8,4% of GDP in Romania and 11,4 %of GDP in EU-27.

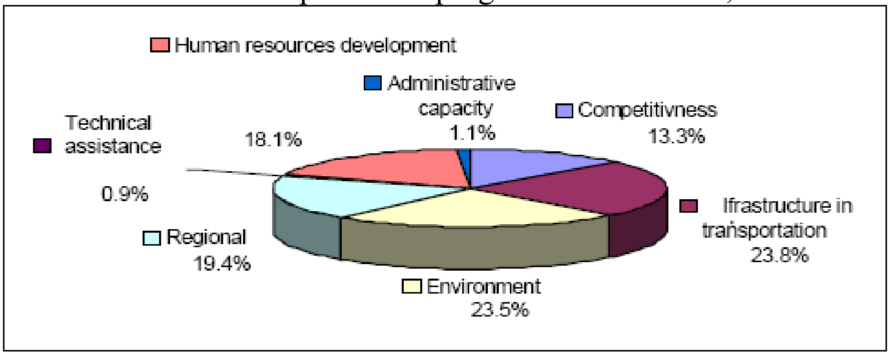
Preliminary findings indicate that local economic development strategies in Romania, as a part of global development strategies, still largely remain under national control because the resources of the local budget are still dependent of the transfers from the state budget. On the other hand, communities that have undertaken European programs have benefited from increases in human-capital among local administrative staff. Finally, despite efforts to promote public-private partnerships at the local level, this instrument of financing is relatively new in Romania.

However, local fiscal policy has to be judged in the light of the Maastricht criteria which say that candidates for the monetary union must – among other things – not run an excessive deficit (a general government deficit of more than 3% of national gross domestic product and a general government debt of more than 60% of national gross domestic product). The practice of local indebtedness in the context of a big central government debt stock can generate the unfulfilment of the convergence criteria. For Romania the situation is not a worrying one because it has a low level of total public debt, much less than 60%.

If the public deficit ratio to Gross Domestic Product (GDP) exceeds the reference value of 3%, no project will be financed from the Cohesion Funds, until the deficit problem will be solved. So, it is necessary to practice a prudent local indebtedness for not limiting the access to EU funds. In 2007, Romania was very close to the government deficit limit (2,7% of GDP).

Resources from Cohesion and Structural Funds offer the possibility to make big investment projects, also in local projects, withought using ordinary resources and without affecting the level of consolidate budgetary balance. The total amount of Cohesion and Structural Funds allocated for Romania for 2007-2013 is 19668 million Euro, representing 5,66% of the total funds. 12661 million Euro are allocated through Structural Funds in the „Convergence" objective, 6552 million Euro are allocated through Cohesion Fund and 455 million Euro are allocated to the "European Territorial Cooperation" objective. The distribution of Structural Funds – Convergence objective- and of the Cohesion Fund for Operational Programs makes evident the priority of infrastructure projects in transport (23,8%) and environment (23,5%) (Figure 2).

Figure 2: Estimative allocation on operational programs for Romania, 2007-2013



Source: [11]

Respecting the restrictions imposed by The Treaty of Maastricht and the Stability and Growth Pact on fiscal criteria, without practicing supplementary pressure on local budget, an alternative to make big local investments as an aim of globalization is the Public Private Partnership. The relief of local budget from the obligation to entirely finance the local investment projects creates the instrument to reduce budgetary deficit and to raise other categories of current expenditures.

The legal framework of PPP in Romania started with Act no. 219/1998 on concession regimes and Government Ordinance no. 16/2002 on public-private partnership contracts. The harmonization with the European directive on public acquisitions and concessions determined the new legal framework in 2006, GUO no. 34/2006 (approved by Act n. 337/2006) on public acquisition contract, equipment and services concessions contracts.

The incipient stage of development, from this point of view, can be presented using the number and the value of infrastructure projects financed by private participation. So that, Romania registered only 20 projects with a total value of 9563 million USD, after the Czech Republic, Hungary and Poland. The most important fields are energy (9 projects) and telecommunications (7 projects), followed by water and sewage projects (3) and transport projects (1).

Conclusion

In conclusion, globalization both limits and expands the choice that local governments can make. Even in an increasingly integrated global economy, local governments will still exists, they will still impose taxes, and they will still make expenditures. The challenges for Romanian local governments are to recognize and to act upon the benefits and the costs the globalization creates.

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THE CONTENT AND THE PERFORMANCE'S CHARACTERISTICS IN COMMERCE

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Abstract : The realization of performance becomes an objective of commercial enterprises representing in the same time the modality of reaching the main objective of the enterprise, that the specific literature defines, in the actual context of Romania, as "the insurance of firm's viability in conditions of internal and international competition, with respect to the conditions imposed by durable development" [Gheorghiu A., Ionescu M., 2002].

The following aspects concerning the significance of the performance are held towards thoroughgoing study:

- Performance – level of realization of objectives,
- Performance – the capacity of creating value.

Keywords: performance, commerce

1. Performance - level of realization of objectives

If in what the common language is concerned the performance represents the result of an action or of functioning of equipment, in what *the leadership* is concerned, the performance may be defined as **fulfilling of appointed objectives**, representing the success or the fulfillment of the developed activity. The measuring of the performances is a component part of strategic management, the firm's objectives taking, most of times, the shape of **performances criteria**.

A. Bourguignon defines the performance in accountancy as follows*: "the performance is the realization of organizational objectives"* [Bourguignon A., 1995]. The performance depends therefore on a reference (purpose, objective). "A performance is not good or bad in itself. The same performance may be appreciated as a good performance if the objective is modest or as a bad performance if the objective is ambitious." [A. Burlaud, 1999]

The objective represents a precisely result that must be reached in a certain period, being expressed either:

- *quantitative,* quantified (for instance, the increase with 5% of turnover, of the consumers' number in the following year; the increase of market quota with 7%), or
- *qualitative,* more difficult to measure (for instance, the improvement of firm's imagine, the increase of clients' satisfaction and of other categories of interested public, the improving of the quality of the offered services for the following 6 years etc.).

The objectives are resulted from the purposes of the institution (the ration of its existence – existence, survival, development, variety, the capital and work remuneration etc.) being established on short terms, while others are settled on longer ones.

The commerce enterprise performance may be defined as a measure of the degree in which it succeeds *to fulfill:*

- ***economic objectives*** – the increase of the turnover, of the sold quantities, the maintaining or the increasing of quotas on the market, the establishment of prices and the control of the costs, the obtaining of a certain profit etc.-, as well as commercial adding, transactions number, the activity's profitableness, the efficient capitalization of commercial surfaces etc. – and

- ***non-economic objectives***– *safety objectives*, the leaders' aspirations (independence, safety, prestige, power etc.), *social objectives* (number of clients, consumers' satisfaction, the creation of a climate favorable to realization of selling-purchase documents etc.) – that the managerial team aims in the elaborated policy and strategies.

The main **directions of action** (criteria of assessment in performance) that lead to the commerce enterprise's *realization of purposes* and the manners in which the performance may be appreciated are presented in the table nr. 1.

Table nr.1 The performance appreciation and the main directions of action

Directions of action		***The aimed objectives***		***Manners of appreciating the performance***
Clients		The client's satisfaction		Number, dynamics, new clients, lost clients, market quotas, market dynamics and market's quota, the importance of the biggest client, the effect of his loss etc.
Shareholders		Capital attraction, as main production factor		The size of the invested capital, profit, dividends, the enterprise's development, investments etc.
Partners		The cooperation with other economic agents, the consolidation of position in economic environment		Imagine, trust, business and credit worthiness, promptitude etc.
Staff		The forming of an proactive attitude and the increase of the developed activity		Motivation, competence, preparation, training, work satisfaction, number, dynamics, mobility etc.
Public		Manifestation of an ethical behavior, the enterprise representing not only an economic entity, but also a *social* one		Public relations, the capacity of reacting to suggestions and reclamations, the conforming to various standards etc.
Internal processes and the quality system		What is realized and how is realized		The established objectives, the elaborated strategies, the action plans etc.
Informational system		The increase of entity's viability		Accuracy, pertinence, availability, intelligibility, relevance, credibility, comparability, information quality etc.

From the multitude of the aimed objectives it results that the performance is *multidimensional*. On the other hand, it is also subjective, because it consists of the quantification and comparison of result through the reporting to the expected reference.

The manager performance is subscribed to enterprise performance's context. The management quality constitutes an important success factor for *the reaching of objectives*, respective for the expected results, which may create a competition-type advantage on long term, under the conditions that this domain will not be submitted to any standardization, as it is manifested in what the production means or accountancy instruments are concerned [Kouzes J. M., 2003, p. 242-243].

2. Performance – the capacity to create value

Philip Lorino, a famous French specialist in the firm managing domain, defined performance in an enterprise as being "all that and only what contributes to the amelioration of *value-cost* couple, and not only what contributes to cost diminishing or value increase" [Lorino, Ph.,1988, p. 19]

The enterprise may create two types of values [Bogliolo F., 2000]:

- ***External value*** dependent on the market's specific conditions – presumes the creation of a market value for enterprise bigger than the accountancy value of the owned actives.
- ***Internal value*** which is identified with *the creation of economic added value* for the remuneration of all the production factors involved in developing of the enterprise activity.

The creation of added value assures the firm's viability that depends on the enterprises' ability to generate liquidities, and of attracting financing sources in order to reach the following objectives [Vâlceanu Gh., Robu V., 2004, p. 313]:

- quality-price report that will correspond to clients' exigencies;
- the increase of the actions' price and the assuring of dividends paid for shareholders;
- competitive fees for the employees;
- the assuring of financial security that will allow to creditors the safety of recovering the advanced sources.

Porter M. appreciates that the enterprises' performances depends on *its capacity to create value for its clients* [Porter M., 1986]. The creation of added value does not have to limit to clients, but the *shareholders, employees, natural environment* should also be taken under consideration. [Jianu I., 2007, p. 22].

The increase of enterprise's performance should be assured taking in consideration the environment restrictions also, from the following reasons [Jianu I., 2007, p.23]::

- *commercial*, the clients have new expectations (they ask, for instance, the recycling of the used machines);
- *ethical*, we all have to take action in order to leave for the following generations a world that will offer better conditions;
- *economic*, materialized in the diminishing of the material consumption, elimination of the residues, diminishing of the number of accidents

Therefore, the performance presumes the capitalization of internal resources, of opportunities from external environment for satisfying all the interested parts, but also the enterprise's surviving and development on long term.

The performance's analysis and the establishing of strategies for its maintaining and increasing, presumes the association of all informational systems on such way that patrimonial situation and economic-financial results will be reflected exactly, the main objective being *the increase of firm's value.*

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THE ACCOUNTABLE-FINANCIAL SYSTEM OF THE FIRM'S FINANCIAL FLOWS

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Abstract: Financial flows represent changes in the balance active, of the debts, the net situation and the effective circulation of money.

The financial flows situation belongs to the family of flow tables, useful instruments in the financial analysis, business evaluation, firm's economical-financial situation diagnosis.

The firms that organize the accountability according with the Order MFP no. 1752/2005 for the approval of the accoutable reglementation suitable for the european directives, have the obligation to write "The tresorery flows situation" which evidentiate the growth of this situation's importance in appreciating the firm's performances.

The flow tresorery situation describes the measure in which the exploitation activities, inv estitions and financing determine positive flows – incomes and negative-payments of tresorery during the financial exercice. The tresorery flows are divided in the activities that generated them or consumed them in: tresorery flows from exploitation activities; tresorery flows form investment activities; tresorery flows from financing activities.

In IAS 7 "The situation of flows in cash" is mentioned that the tresorery flows from exploitation activities (FTE) are important for the appreciation of the financial performance of the firm.

Keywords: financial system, financial flows

OF THE FIRM'S FINANCIAL FLOWS

Financial flows represent changes in the balance active, of the debts, the net situation and the effective circulation of money.

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Writing "The tresorery flows situation" has many semnifications, amongst which we mention:

- The financial situation are made according to the accountability of engagement and according to the principle of the independence of exercice.

The effects of the transactions and of other events from the firm are recognised when these are produced and not while the money and his equivalents are cashed or payed by the firm. This aspect does not always satisfy the users' necessities for financial-accountable information.

- The result of the exercice, reflected in the Account of profit and loss is affected by a number of accountable conventions (the regime of calculation of the amortisation) and does not express the real performance of the firm.

The tresorery flows situation has the role to express “unconventional realities”, because it eliminates the effect of the use of different accoutable treatments for the same transactions and events and, it does not consider the incomes and the expenses of exploitation considered “calculated”, which do not generate incomes and payments in the analysed exercice (the expenses with the amortisation and provisions, the provisional incomes, the incomes form subventions for investitions).

- In term of subliquidity, the tresorery flows analysis become prior to the result's analysis.

The firm's results' analysis supposes the comparison of the incomes and expenses form the profit and loss Account, apart from the effective moment of the cash of incomes and of the payment of expenses. Thus, the loss and profit Account permits to determinate the rentability without permitting the direct measurement of the liquidity, through tresorery flows.

Because of this, there has been the tendency to privilegiate the rentability analysis inspite of the liquidity's analysis.

The rentable firms can face tresorery difficulties, because of the rapid growth of investitions in imobilised actives, which have determined the augmentation of the needs to finance the cycle of exploitation, or because of the diminution of the rotation speed of circulating actives.

The low rentable firms can maintain a satisfying liquidity in the absence of investition or by the progressive diminution of its value. The difference between the susceptible incomes to generate incomes and expenses susceptible of determining payments represents cash-flow, indicator which makes the bond between rentability and liquidity.

- The tresorery flows situation, by recensing the incomes and the payments of the firm, permits to know the historical capacity of generating cash-flow and offers the elements which stay at the basis of the previsions, on short term, of the future flows.

One of the most inteligible and objective informations, considered by the financial-accountable information users, is the information cash-flow, which represents the facts without leaving place to subjective interpretations. The information cash-flow is the essence of some methods of evaluation the business.

The determination methods of tresorery flows

The flow tresorery situation describes the measure in which the exploitation activities, inv estitions and financing determine positive flows – incomes and negative-payments of tresorery during the financial exercice. The tresorery flows are divided in the activities that generated them or consumed them in: tresorery flows from exploitation activities; tresorery flows form investment activities; tresorery flows from financing activities.

In IAS 7 “The situation of flows in cash” is mentioned that the tresorery flows from exploitation activities (FTE) are important for the appreciation of the financial performance of the firm. Of their growth depends the firm's capacity of: making new investments, giving new dividends, mantaining the production capacity, re-embursing loans without calling on external financing ressources. The tresorery flows situation transforms the exploitation result in an effectively charged result.

The tresorery flows from investment activities (FTI) are imputable to the investition/desinvestition in/from corporal and financial imobilisations and reflect the deficit or the excedent born from such operations.

The tresorery flows from financing activities (FTF) present the incomes and the payments of the financings from external sources which approaches the firm when the tresorery results from the exploitation activities have been insuficient to cover the investment operations and to pay those who finance.(banks, owners).

Through the partial equilibria resulted from the compariosn of the incomes and payments specific to each activity, takes place the separation of the flows according to their provenience which has the advantage of supplementary explanations concernin g the financial position of the form. The separate xposure of the equivalents of tresorery and of the tresorery, resulted from the transactions of the period and form the placement of the excedents of tresorery, permits the identification of the activity that generated or consumed the biggest tresorery flows.

Taking in consideration the way of calculation of the tresorery flows from the exploitation activities, the tresorery flow is determined through the direct or indirect method.

The direct method operates only with information of the income and payment type. According to this method, the tresorery flows afferent to the 3 activities is calculated as a difference between the cashing and the effective payments which correspond to the transactions and events produced in the firm, during a financial exercice. The direct method is accepted by the investor because it represents the departing point in making the previsions over cash-flows for estableshing the firm's value.

The indirect method is easier to apply and is preffered by the administrators who do not want to present to external users the real image about the liquidity and solvability of their firm. It supposes to determin the tresorery flows from the exploitation activities with the aid of informations from the accoutability of engagement(from the Account of income and loss). Thus, one can go from the accoutable net result (which includes the incomes and the expenses of the financing and investments activity; the calculated incomes and expenses). This adjustes then with the incomes and the expenses of the investment and financing activities and with the calculated incomes and expenses. Finaly, it takes place the adjustment of the net result with the variation of the necessary of the exploitation fund.

The tresorery flows from the exploitation are joined by the tresorery funds of the other activities, calculated as in the direct method, resulting the net tresorery flow (FTN), after the relation:

$$FNT = FTE + FTI + FTF \qquad (1)$$

The net tresorery cash -flow can be calculated as a difference between the tresorery and the tresorery equivalents from the end(TN_1) and from the bigining (TN_0) of the financial exercice, like this:

$$FNT = TN_1 - TN_0 \qquad (2)$$

The partial tresorery flows, like the net tresorery flow can turn tresorery in sufficient or excedent, respective:

FTE>0, the tresorery flows from positive exploitation activities and with the biggest value indicate the performances of the exploitation activity.

This situation is due to the fact that the exploitation activity, efficiently managed, has generated more liquidities than had consumed, which reduces the necesity to recall external financing ressources, amplify the financial autonojmy of the firm, creating the premises for the firm's durable growth. If this flow category prevails in the total of net tresorery flows, means that the tresorery equilibrium is reached by the firm's own forces.

FTE<0, the negative value of this flow indicates the reherse situation, of tresorery insufficiency.

The exploitation tresorery deficient can be challenged by multiple causes, such as: the imobilisation of financial ressources in over-necessary prime-material stocks or in low selling products; a policy of commercial credits non-adapted to the firm's situation; payment obligations in growth towards third parts. The tresorery desequilibrium of the exploitation has un unfavorable effect over the investment policy and of the distribution of the firm's dividends.

FTI >0, the tresorery flows from positive investment activities are the expression of the superiority of the incomes towards the payments generated by the investition operations.

This can indicate: the intention to restructurate the activity, which disponibilisates his imobilised actives; big commercial credits given by imobilisation providers; significative cashed dividends form the affiliate entities.

FTI<0, tresorery flows from negative investment activities signify the inssuficiency of the tresorery which comes form the investing activity, which will contribuate to reduce the liquidity of the firm.

This can be explained by making investments within the developpment policy of the firm, from which exploitation are expected future tresorery flows.

FTF>0, tresorery flows from positive financing activities represents a tresorery excedent resulted from the financing operations.

At its origin are the external financing ressources meant to complete the ttresorery flows generated from the exploitation activity.

FTF< 0, tresorery flows from negative financing activities are the expression of the re-embursement of debts mostly from the exploitation activity or of the auctioneers' remuneration for the capital invested in the firm.

FTN<0, the net tresorery growth and the growth of tresorery equivalents is a temporary monetary excedent destined to the economical growth of the firm.

He explins the fact that the generated liquidity by the exploitation activity has permitted to cover the current needs and those from investitions, non-financed by the selling of imobilisations and an equilibrated financing policy.

FTN<0, net negative tresorery flows represents the deficiency of derivated disponibilities from the firm's activity during an exercice, which interferes with the current payments.

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AUDIT RISK,
A KEY ELEMENT IN AUDITING ACTIVITY

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Abstract: This paper approaches audit risk, in order to a better understanding of this key element in auditing activity. Having as purpose the formulation of an adequate opinion regarding the entity's situation, an auditor must appreciate the audit risk to its real value, considering that it can influence his decisions. A risk represents a probability, so is the audit risk, a possibility that part of a situation submissive to an audit, could present errors. The audit risk evaluation is more important in allowance of a globalized society, where auditing activity finds its place, a result of an audit work being materialized in an acknowledgement of the entity on the national or international plan.

Keywords: auditing activity, audit risk, inherent audit risk, control risk, detection risk

1. Audit and globalization

Now-a-days society has a striking characteristic materialized in a continuous changing, an unstopped evolution, where innovation and traditionalism interpenetrates, giving birth to some small revolutions. Not long ago, the word *globalization* took its place in the economical terms glossary, as if aspired to replace the concept of nationalism. Same, audit concept made place through all other activities retrievable in a modern society.

There is no universally accepted definition for globalization, much more a definitive one. The reason consist in the fact that globalization includes a multitude of complex processes with a variable dynamism, spreading its wings on every domain. *Globalization can be a phenomenon, an ideology, a strategy or all this things together*. Globalization represents the modern term used to describe changes that take place in societies and in the world's economy, as a result of increased international commerce and intercultural trade.

The activities developed on a state territory are no longer regularized only by national directions, but follows to respond to some international requirements.

Considering changes and the galloper rhythm that these changes take place all over the world, it is not a surprise that every type of activity is affected, the globalization tendency putting a profound mark on everything that means economical and financial life. It's on track the creation of a global civilization, appealing to a closer *neighborhood* along with a mutual understanding and friendship among citizens along the globe, plastically said it is working to the formation of a *global village*.

Globalization, a construction who would allow every nation to contribute in an honest and equitable manner to the progress of humanity is an admirable aim. (Paul Harris)

The audit, the activity itself is a relatively new function, having a short known history, with not an existing record fine determined along time, being assigned for the first time early in the XVIIIth century, but not specified the exact date or geographical location in a state.

The audit, in accordance with international rules of audit, but also in opinion of many authors, can be defined, in a simple form, as an examination of the situations, whose purpose is expressing a responsible and independent opinion, an opinion that means that the financial statements have been prepared according to the accounting identified references, named quality criteria.

According to ISO 8402, the audit can be defined as a methodic examination conducted to determine whether the activities and results relative to the subject are considered to satisfy the provisions of default and whether these provisions are put into opera in an apt and effective manner, in order to achieve the entity's objectives.

Concisely, we can say that *the audit is used to evaluate the difference between the actual situation and the default one.*

2. Audit risk. Concept

A risk represents a danger, a probability that a situation could be different from a normal or ideal situation and so it is possible to cause negative consequences.

Generally speaking, risks can be classified in:

- Potential risks, susceptible for producing in case of an inefficient control, unable to prevent, discover and rectify errors;
- Possible risks, part of the potential risks for which the entity's management did not took any measurements meant to limit them; in consequence it is very probably that these risks could produce without a previous rectification.

Considering their appurtenance, risks can be structured in:

- General risks specific to the entity;
- Risks attached to accountancy operations;
- Risks regarding the extraction and processing system of dates;
- Risks regarding specific domains and procedures (audit risks).

The audit risk represents the risk that the auditor assigns to an incorrect opinion, when the financial situations contain significant erroneous information.

Audit risk architecture has three components, presented in the following figure (figure no.1).

Figure 1

Audit risk classification

Source: operated information undertaken from specialized material

The audit risk is determined using the following relation (equation no.1):

$AR = IR * CR * DR$, where

IR= inherent risk;

CR= control risk;

UR= detection risk.

Regarding audit risk must be mentioned that this risk has a maximum level of acceptance, namely 5%. This meaning that from a population of 100 probes, 95 are certain, resulting that only 5 are not be exact.

In order to assure a minimum level of risk, the auditor appeals to his professional rationalism in the purpose of evaluating risks and choosing audit procedures.

During auditing work, the auditors confront with a series of intrinsical and extrinsical risks, in every stage of their work, from the level of gathering information. Those risks must be permanently evaluated and diminished.

The audit risk is connected with the auditor's opinion. The elaboration of this opinion and its quality depends on how is the information presented and reflected, so that the information could be reliable. This includes the probability that information could hide significant errors and deviation from the accountancy principles, standards and legality.

Audit presumes a reasonable grade of certitude. Considering that, it is necessary for the auditor to determine and analyse risks that could call forth an inadequate opinion.

3. Evaluation of audit risk

3.1 Inherent risk

Inherent risk represents the susceptibility of an account balance or a category of transactions in transmitting erroneous information which could be significant on individual plan or correlated with other erroneous information attached to different transactions, in the supposition that there were no adjacent internal controls.

For evaluating inherent risk, the auditor utilizes a professional rationalism in appreciating a multitude of factors that influence financial statements, transactions or an account balance.

Inherent risk can be structured in:

- Global inherent risk;
- Specific inherent risk.

In order to appreciate global inherent risk there are elaborated some lists with questions, questions formulated in such way for that an affirmative answer would mean a risk factor.

Evaluation of global inherent risk supposes evaluation of the following section, each section with its set of specific questions:

A. Entity's domain of activity;
B. Entity's management;
C. Accountancy;
D. Audit.

A. *Entity's domain of activity*- in this section are analyzed factors that affect the entity's activity, in this purpose the following questions are mentioned (table no.1).

Table 1

Inherent risk- Entity's domain of activity

No.	Question	Answer	
		Yes	No
1	Is the entity operating in an area of activity with a high level of risk?		
2	Is there any creditor with a significant individual importance?		
3	Is there a shareholder who is in the power of more than 25% of stock, with no implication in administration or management?		
4	Is the selling of the business or a part of it anticipated in the appropriate future?		
5	In the past 12 months, where there any changes in board administration?		
6	Is the society insolvable?		

Source: operated information undertaken from specialized material

B. *Entity's management*- regards three aspects: the trust in managerial competence, existence of motifs to manipulate results and attitude towards internal control (table no.2).

Table 2

Inherent risk- Entity's management

No.	Question	Answer	
		Yes	No
1	Is the managerial team able to administer the business?		
2	Is there present the tendency of the management in engaging company in actions with a high level of risk?		
3	Where there major changes in managerial team, during the audit work?		
4	Are there requirements regarding maintenance of a certain level of profit or to accomplish certain objectives?		
5	Are there some personal significations for the managers as it regards results?		
6	Is there a wick internal control and audit?		
7	Are there missing informational systems at a performance level?		

Source: operated information undertaken from specialized material

C. *Accountancy*- this section refers to accountancy system and its staff competence and credibility (table no.3). There are very strict questions that do not require any supplementary explanations.

Table 3

Inherent risk -Accountancy

No.	Question	Answer	
		Yes	No
1	Is there a decentralized accountancy?		
2	Is there an integrated information system?		
3	Is the personal engaged in accountancy able to accomplish its tasks?		
4	Are there attitude problems in the accountancy department?		
5	Is there a risk of committing errors as a result of a stressing job?		

Source: operated information undertaken from specialized material

D. *Audit*- refers to client knowledge by the auditor and the relation between them, the questions being situated strictly in this range (table no.4).

Table 4

Inherent risk- Audit

No.	Question	Answer	
		Yes	No
1	Is this the first time when the entity is submissive to an audit?		

2	Is this the first time when this auditor will auditate the entity?		
3	Was there a reserved opinion in the past 2 years?		
4	Is there a conflictual relation between the entity and its clients?		
5	Are there pressures regarding time or fees?		
6	Is there a significant number of hard transactions to auditate?		

Source: operated information undertaken from specialized material

Depending on the answers, an answer with yes representing a factor of risk, every section risk is calculated.

Considering the information above, we get to a relation (equation 2):

$RIG = RIGA * RIGM * RIGAC * RIGAU$, where

RIG= global inherent risk;
RIGA= activity risk;
RIGM= management risk;
RIGAC= accountancy risk;
RIGAU= risk regarding the audit work.

Regarding *specific inherent risk* we mention that this risk appears on accounts balance or transactions level, representing a possibility of producing a significant error in a particular domain cause to a specific problem relative to that domain. There are six standard questions that help the auditor in evaluating specific risk. The questions concentrate on determining the cause of errors.

3.2 Control risk

Control risk represents the probability of apparition of a significant error on account balance level taken individual or cumulated or at the accountancy operations level.

In order to appreciate this risk, there are control tests regarding:

- Control of justificatory documents and registries which are staying at the base of the economical and financial operations, in the purpose of obtaining audit probes;
- Investigation and observation of internal controls;
- Reconstruction of some internal controls.

3.3 Detection risk

The level of this risk is directly attached to the audit procedures. Evaluation of the risks mentioned before (control risk and inherent risk) influence the time necessary for reducing detection risk, as follows reducing audit risk until a minimum level.

Still, some errors are always present, even though the auditor examined accounts and transactions entirely.

There is an inverse proportion between detection risk and the combined level of the other two risks, as it follows:

- In the case of a high level of inherent and control risk, detection risk must be low, in order to reduce audit risk to an acceptable level;
- In the case of a lower level of inherent and control risk, detection risk can have a raised value.

Detection risk depends on auditor and refers to audit procedures, being underlined in a different way than inherent risk and control risk.

Detection risk includes:

- Sampling risk, possibility to get to a decision based on sampling activity, a decision that could be different if the entire population would have been submissive to the same audit procedure.
- Risk independent from sampling activity, risk referring to an incorrect opinion as a result of other tests than the sampling, for example: a wrong interpretation of information, unrecognizable errors, utilization of wrong procedures.

Conclusion

In an acceptance of free markets and a society in continuous development, audit gains values increasingly popular and higher, a certification that the activity of a company is in accordance with international standards, thus always an added value, representing an ace of the company. This will bring notoriety, will confer confidence and stability, notifying that the entity is an important player on the market and can face market demands.

It's understandable that *audit does not mean an exception as it regards development and changeability*, keeping a close check in meeting necessities and demands, making a purpose from *work upgrade*, taking the auditing activity to a higher level, without the risk of a non perceptible or incomprehensible work.

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ASPECTS REGARDING OF QUALITY MANAGEMENT COSTS IN TOURISM

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Abstract: The great majority of consumers, especially the Romanian ones, purchase products and services, firstly, depending on their prices. If the price of a product/service is not acceptable from the point of view of their buying capacity, they think that the respective product/service is improper for satisfying their necessities, regardless of its quality.

Given the fact that quality does not come free, but it costs, we must specify that the true satisfaction of the consumers be only provided by the best possible quality/price ratio. In other words, in order for a product/service to satisfy the consumers' requirements, it is not enough to have a good quality, but also its price should correspond to its quality

Key words: service, quality, price, costs.

INTRODUCTION

In order to keep up with the strong competition of the market economy, the enterprises are forced to continuously manufacture high quality and low price products, in order to create the conditions for obtaining benefit. It is not enough to create quality products. The costs incurred for achieving the objectives must be carefully followed, so that the long-term effect of quality costs of the enterprise to be the desired one. That is why, the economic measurement of the efficiency of a quality system is important.

Quality costs are not different from the other types of cost. They can be measured and analyzed just like maintenance, design, sale and other activity costs. Quality costs are present in each and every stage of the product life cycle, as well as at all the operational levels of the enterprise.

Traditionally, the costs associated with low quality are related to spoiled merchandise, reperformed work and excessive effort spent on trials and inspections. These costs are easy to understand, but they are scarcely referred to in the accounting registries of the enterprises.

Additionally, the bad management of quality costs leads to other avoidable costs, such as:

- ♣ big stocks resulting from choosing the wrong suppliers and from performing an inefficient control of the supplied product quality;
- ♣ deterioration during storage and transportation, caused by handling, packaging and storage;
- ♣ loss of time and money for solving quality-related litigations with suppliers and customers, generally, to the detriment of other responsibilities;
- ♣ penalties caused by late deliveries or by not fulfilling the customers' requirements.

Because the abovementioned costs are generally not registered, the enterprise management is very rarely aware of their existence and therefore it does not think about any modalities to control them.

Enterprises may obtain a significant production cost reduction by implementing a quality assurance system, and by applying a quality cost management program. By calculating and analyzing the quality costs, the enterprise has an important quality capitalization instrument, a potential profit maximization source. Determination of quality costs is required because the analysis of the latter represents a real basis for increasing the productivity of the enterprise.

After the implementation of the quality system, a cost dimensioning shall be obtained by the slight increase of the expenses incurred for quality defect occurrence. The defects shall also be identified and the ones caused by quality and repair flaws shall decrease significantly, so that, in the aggregate, total quality expenses shall be significantly reduced under the conditions of an increased product quality.

QUALITY COSTS

A series of studies have shown that the costs incurred for correcting non-quality and the ones incurred for preventing and evaluating the latter represent an average of 25% of the turnover of an enterprise. These costs represent an important quality capitalization instrument and an important profit maximization source.

By using these costs, one can identify the inefficient activities and the critical points during the processes.

For manufacturing quality products, one must bear certain expenses, which are grouped in the following categories:

- ♣ expenses needed for market study;
- ♣ research – development expenses;
- ♣ design expenses;
- ♣ expenses regarding product manufacturing planning;
- ♣ expenses for maintaining the work precision of the equipments;
- ♣ human resources expenses;
- ♣ expenses for promoting the sale of the products;
- ♣ expenses for product assessments;
- ♣ expenses regarding defect prevention;
- ♣ expenses caused by spoiled merchandise;
- ♣ expenses regarding personnel information on product quality level.

In the economic practice, these expenses are grouped in four categories:

- ♣ prevention expenses – expenses regarding defect occurrence prevention;
- ♣ assessment and control expenses – expenses regarding trial, inspection and examination activities, performed in order to establish if the specified requirements are complied with;
- ♣ internal damage expenses – incurred for correcting all the problems detected before the product is delivered to the beneficiary;
- ♣ external damage expenses – incurred for correcting all the problems detected after the product has been delivered to the beneficiary.

According to the traditional approach to "cost – quality" correlation, internal and external damage costs decrease as the level of the product quality increases, while the prevention and assessment costs increase.

Recent specialty works have shown that the traditional approach to "cost – quality" correlation has been reconsidered. Thus, the minimum total quality cost may correspond to the maximum quality level and not necessarily to an optimal one. For this reason, one does not need an infinite investment in order to provide a continuous increase of the quality level. Damage costs and prevention and assessment costs may decrease when quality increases, as opposed to the traditional approach to this correlation.

QUALITY MANAGEMENT IN TOURISM

Quality has become the most important aspect of the contemporary management. At present, quality represents more than the traditional concept of product and service quality, which we met in the previous years.

Current definitions cover the improvements (decease) in product cost, the performances of product distribution, the time of arrival of a product on the market, as well as the response to the market changes. These new tendencies trigger new reorientations regarding quality perception at the lowest level up to the highest one.

The evolution over the last decade has forced the management of the enterprises to adopt a management system to ensure the proper execution of the products/services from the first time and every time. Since the Romanian tourist service providers are permanently blamed for their very low quality performance as compared to the performance of their international competitors, they probably need a similar management.

Tourism agencies have an interesting characteristic: they have a few employees and they are generally built around their entrepreneurs, “in their image”. However, there comes a time in the life of a growing organization when it cannot directly control the entire activity any more. Moreover, it does not have to do it anymore.

A company is like a child. During his first years of life, the parent takes care of the child and it is responsible for the latter, being the stronger role model. During adolescence, the child must feel the freedom and the power he has, within the coordinates set out by his parent. As he grows, the youngster establishes his own wishes and aspirations, without neglecting his obligations towards his parents.

During this evolution, the standards – required by the parent and the entrepreneur – represent both an external control method, and an internal control method.

Today’s orientations in approaching quality:

- stressing the interest in ERP *enterprise requirements planning*), SCM (*supply chain management*) and, obviously, CRM (*customer relationship management*);
- increasing interest in knowledge management;
- quality systems shall be oriented more towards individual management of the customer’s wishes, interactivity and customization;
- orientation towards information, regarding both its quality within the internal processes, and information that reaches the consumer.

DETERMINANT ELEMENTS REGARDING FUTURE OF QUALITY

The beginning of the 21st century has been marked, among other things, by three major international elements, which have triggered a new vitality in business, education, health care and administration, representing the basis for the future of quality.

These elements are:

A. **The new global market,** oriented towards quality for the customer, on which the new millennium companies are now forced to operate and compete.

One of the main characteristics of this market is that more and more customers want a significant improvement in the quality of the products, services and work practices they are involved in. They no longer want to be treated as belonging to the second or third society category, and their expectations and tastes change faster and faster.

A recent study performed in USA and West Europe has shown that the main purchase criterion of these buyers is quality, while 10 years ago, this was preceded by other three or four criteria, among which price was of great importance. Today, the buyers mingle quality with value.

B. **The new technology,** which establishes more and more the requirements necessary for obtaining success on the new market. Today's world economic and social conjuncture has triggered the free circulation of technology, which is no longer the attribute of a relatively limited group of countries or international companies. In many cases, not even one social or cultural identity exists.

Day by day, the Internet becomes one of the important examples of this technology, establishing the future tendencies of quality regarding the market of this millennium. Additionally, the Internet is constantly oriented towards self-service.

C. **The new elaborated business models,** which further define the significance of third millennium company excellence.

We deal more and more with the capitalization of the intangible resources of the companies at a higher scale (its trade name and the quality it provides under this trade name; its management process; its intellectual capital – know-how and its technology; customer relations, its partnerships with the suppliers and the alliances with other parties; skills and attitude of its human resources).

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COMPETITION POLICY AND CONSUMER PROTECTION – HOW RELATED ARE THEY ?

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Abstract: The objective of both consumer and competition policy is to deliver well-functioning markets, something which requires both a strong supply side (competition) and a strong demand side (consumers). However, competition policy is more a proactive policy that attempts to promote consumer interest in a market place, whereas consumer protection policy puts forward mainly a reactive agenda to protect the interests of consumers and provide access to redress for abuses.

Keywords:competition policy, consumer protection, product

In well-functioning markets, supported by general contract law, competitive pressure means that only those firms which give consumers what they want can prosper. There is little role for any intervention to protect the consumers when all product attributes and prices are easily observed and evaluated at the time of sale, when search cost are not significant, when consumers sample offers from multiple suppliers, and when most consumers are capable of making reasonably good decisions concerning the product in question.

But many, perhaps most, products do not satisfy these restrictive requirements and some consumers might not always obtain a good deal, even when substantial competition is present. In such cases additional polices to aid consumers have a role to play.

In fact, what prevents markets from delivering good outcomes to consumers ? Familiar reasons include abuse of dominance and collusion between suppliers, and these fall broadly within the domain of *competition policy*. However, there are several other reasons why competition need not work well, especially because of imperfect information about product attributes or market prices, consumer high cost of obtaining market information, supplier significant costs of advertising, or consumers possessing imperfect information about their own needs. These features fall broadly under the heading of *consumer protection activities.* [1]

These activities can be divided into two categories: (a) *consumer protection policy*, properly speaking, which is designed to modify the status quo in terms of the information available to consumers; and (b) *consumer promotion,* geared toward education and the creation of institutions and associations for consumer protection advocacy.

Consumer protection and promotion policies are generally introduced by the government, either through public consumer protection agencies, through different measures designed to reduce the transaction cost of litigation, or through the creation of alternative mechanisms for dispute resolution. But, there are also private-sector initiatives such as the creation of customer services centers by corporations and consumer affairs columns in the media that can be designed to protect consumers' interests. [2]

Competition policy and consumer protection share the common purpose to facilitate the exercise of *consumer sovereignty* defined as a state in which consumers can freely take decisions based on their individual interests and in which markets will respond to the collective effect of those decisions. Competition policy is intended to ensure that a range of options is available to consumers through market competition, while consumer protection seeks to protect the ability of consumers to freely choose among such options tends to ensure that consumers can effectively choose among the options available without their critical faculties being hampered by such violations as deception or omission of material information. Together these policies function to protect a free economy. [3] However, while the objectives of both policies are essentially the same, competition policy is more a proactive policy that attempts to promote consumer interest in a market place, whereas consumer protection policy puts forward mainly a reactive agenda to protect the interests of consumers and provide access to redress for abuses. [4]

Both competition policy and consumer protection are theoretically justified on the basis of the possible occurrence of "market failures", such as abuse of economic power, asymmetrical information transaction costs, externalities, entry barriers and natural monopolies. In this context, the market failures can be divided into two categories: (a) those *external to consumer relations,* comprised of restrictions to the range of consumer choices which can be corrected within the sphere of competition policy; and (b) those *internal to consumer relations,* comprised of restrictions to the consumer's ability to choose freely from among the options available which can be corrected within the sphere of consumer protection. [5]

Thus, market imperfections such as imperfect information and irrecoverable entry costs, or anticompetitive conduct such as price or reputation predation, price fixing, horizontal restrictions, mergers and vertical restrictions, fall within the exclusive remit of competition policy. On the other hand, the sphere of consumer protection covers cases involving complaints relating to product features, warranties and contractual clauses associated with market failures whose impact harms four types of consumer: (a) those whose freedom of choice is subject to some form of coercion; (b) "vulnerable" groups (such as children); (c) victims of misleading or incomplete information; and (d) consumers who have to deal with information that may be difficult to understand. There are also certain "hybrid" cases that involve constraints on both consumer choice and the effectiveness of choosing among the existing options. This is the case, for example, with conduct that results in higher search costs, tied sales or resale price fixing.

Conclusions

Being justified on the same basis, the competition policy and consumer protection share the common purpose of guaranteeing the *consumer sovereignty* in the marketplace, and, in practice, both functions converge. Moreover, they stimulate each other reciprocally, so that the level of competition in a market may affect the level of consumer protection required. If a competitive market is seen as delivering choices in terms of prices and quality, regulatory intervention on behalf of consumers may need to be strategically targeted so that there is little, if any, negative impact on the competitive process. It is important that consumer protection not hinder competition by, for example, imposing excessive compliance costs on businesses, which are likely to be ultimately passed on to consumers.

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MONETARY POLICY IN ROMANIA

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Abstract: The monetary policy in Romania is implemented by The National Bank of Romania, whose main objective is to ensure price stability. At the firs stage of the transition to the market economy, the monetary policy, had a secondary role, due to its slow evolution from a direct control of monetary expansion towards indirect instruments and from multiple and contradictory objectives (imposed by the state policy) towards what should represent the sole objective of monetary policy namely price stability.

Keywords: monetary policy, monetary aggregates

For many years, the strategy of monetary policy had consisted in the control of monetary aggregates. Using monetary aggregates as an intermediate objective of the monetary policy proved to be effective during the time when inflation was diminished to the current level. Recently, the central bank has reshaped its monetary policy by the adoption of a new strategy - inflation targeting. The reduction of the inflation rate to the European level constitutes a major concern for The National Bank of Romania in following years.

The strategy of monetary policy had consisted in the control of monetary aggregates. The main instruments used in recent years by the central bank for controlling monetary supply were: minimum reserve requirements, open market operations and collection deposits from commercial banks. Among these, the main role was conferred to minimum reserve requirements, whose current rate is 18% for deposits in the national currency and 30% for deposits in foreign currency. Starting with August 2005, NBR has reshaped its monetary policy by adoption of a new strategy - inflation targeting which represent a superior stage in maintaining inflation under control and a component of the process of economic convergence with the EU countries [2].

Inflation targeting represent a framework of monetary policy characterized by the public announcement of the quantitative targets of the inflation rate for one or more time horizons and by explicit recognition of the fact that a low level of inflation constitutes the primary long-term objective of the monetary policy.

The persistency of high inflation in Romania during the transition period can be explained through the contribution of four main responsible factors, namely [3]:

- the inertial component - inflation expectations have played a crucial part, as population and enterprises began to feed a certain routine specific to inflationist environments, learnt to give their own interpretations to monetary authority declarations and punished the lack of credibility and time consistency of monetary policy;
- disobeying the correlation between labor productivity and wages, given the weak budgetary constraints, especially in the relationship between the government and non-government sectors. In an economy characterized by precarious financial discipline, liquidity is only directed towards paying wages, enterprises cease to produce added value and start generating arrears - false money, very difficult to sterilize. The main cause is the state-owned sector, which, on the background of weak savings, preserved a single function - the wage policy;

- the threat represented by the increase in unemployment rate - applying the policy for reducing internal absorption in order to achieve disinflation would have led to a spectacular increase in unemployment, given the fact that the negative correlation between inflation and unemployment has worked, at least in a short run, in Romania;
- imported inflation - that is an increase in the costs of intermediary consumption because of the national currency depreciation.

The adoption of the inflation targeting is not only a matter of the choice, but also a matter of meeting some significant requirements. Most of the conditions for successful implementation of inflation targeting have been fulfilled in our country. In what follows, we refer to principal aspects that have created the favourable conditions for the introduction of this new strategy [1].

- At the end of 2004, the inflation rate reached a one-digit value (9.3%) for the first time after 1990, as a result of a productive cooperation between the government and the central bank.
- Since the summer of 2004, NBR has been benefiting from a complete operational independence, a condition stipulated in Law no.312/2004 regarding the State of NBR.
- The successful des-inflationist process recorded through the last years has increased the credibility of the central bank.
- After 5 years of continuous development and appropriate supervision, we can speak about a solid and stable financial system.
- Fiscal dominance has ceased to be a problem given the above- mentioned legal independence of the central bank, the relatively low public deficit and the more and more consistent mix of financial policies.
- The decision to implement inflation targeting for the following years was taken by the NBR in cooperation with the government.
- A more flexible exchange rate in the context of maintaining the regime of controlled flotation is compatible with inflation targeting.
- For many years, the central bank has informed the public about the economic development and the monetary and exchange rate policy through the publication of periodical reports and the press release; in addition, since 2003 the BNR has published a report on inflation every semester.
- The quantitative targets, including those regarding the inflation rate, and the calendar for their attainment, have already been established as there exists the decision to joint the EU and the euro zone, and to meet the convergence criteria agreed upon in the Maastricht Treaty by the end of 2009.

The defining characteristics of NBR`s current monetary policy are:

- the main objective of monetary policy : achievement and maintenance of price stability:
- use of all monetary policy instruments for the attainment of inflation target;
- future-oriented proactive attitude of monetary policy, i.e. present responses to anticipated future phenomena;
- independence of central bank and its responsibility for the realization of inflation target;
- transparency of monetary policy through informing the public on objectives, decisions and arguments behind them, as well as the risks involved

NBR`s monetary policy strategy for the present and future has the following coordinates:

- inflation rate is expressed by consumer price index;

- inflation rate is established as a point of reference situated in a variation interval of +/- 1%;
- annual inflation targets for the near future are: 7% for 2005, 5% for 2006 and 2 - 3% for 2007 - 2008;
- inflation targeting strategy is applied in a flexible manner along with the controlled floating exchange rate;
- main instrument of communication with the public in order to anchor inflationist expectations is the report on inflation, published by NBR every other three months.

The inflation targets set for the following years are quite challenging, but they can be attained through a consistent anti-inflationist monetary policy, supported by the other component of the mix of macroeconomic policies. Nevertheless, the des-inflationist process will have to continue after 2007, with the aim of meeting the convergence criteria of price stability prior to adoption euro.

Monetary policy cannot solve by itself all the problems involved by European integration. That is why it has to be correlated with solid and coherent macroeconomic policies. Yet monetary policy can accelerate the integration process and attenuate the difficulties involved. The success of the monetary policy as well as that of the whole mix of macroeconomic policies will depend to a great extent on their credibility. It follows that the objectives will have to be both ambitious and realistic and that the authorities should not resort to administrative measures in order to adjust some developments imposed by the market.

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POLYCENTRICITY IN DEVELOPMENT POLICIES: A VERSATILE CONCEPT

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Abstract: The concept of polycentricity leads to territorial cohesion, a potential new pillar of EU regional policy next to social and economic cohesion. However, in designing an EU polycentric development policy, various interpretations of polycentric policies as they occur in Europe should be taken into account in order to complement these and to create synergies between EU and national policies. The versatility of national polycentric policies comes forward in the six main categories of objectives of these policies we identified. Countries often pursue combinations of these objectives. Broadly speaking, two issues stand out in these objectives: competitiveness and equity. The paper ends with recommendations for developing an EU polycentric development policy, stressing for instance the need to focus the concept of polycentricity in order to prevent it from becoming useless since it could mean anything.

Keywords: polycentricity, rconomic cohesion, EU regional policy

Introduction

The notion of polycentricity is not new. Indeed, different variations of the concept can be traced back in the urban literature of the early 20th century. What is new is its growing popularity amongst urban planners and policy makers in Europe. However, despite its widespread usage and its long history, its precise meaning has remained elusive. Polycentricity means different things to different people. Urban planners use the concept as a strategic spatial planning tool; economic and human geographers use it to explain a specific form of urban structure and growth; EU Commissioners and their counterparts in member states promote the concept as a socio-economic policy goal; and civic leaders use the term for place-marketing, presenting it as synonymous with dynamism, pluralism, multi-culturalism as well as a symbol of a modern lifestyle. In short, it is fashionable these days to be polycentric. Polycentricity also means different things when applied at different spatial scales. Traditionally, it has been applied at the level of individual cities focusing on intraurban patterns of clustering of people and economic activity. More recently, it has been used at the inter-urban scale to denote the existence of multiple centres in one region. A third, mega level of analysis has been added by the European Spatial Planning Perspective (ESDP) which uses the concept at the level of Europe as a whole to promote an alternative to the dominant core-periphery conceptualisation of European territory. The resulting confusion is to some extent a reflection of the dynamics and complexity of urban growth.

Policentricity: one concept serving multiple objectives

If we take for example three countries they will differ substantially from each other in terms of urban structure, socio-economic performance and regional disparities. First of them might be characterized by a polycentric urban structure (in the ESPON project this is referred to as 'integrated polycentrism'), the lack of regional disparities and an advanced economy. The second one is, on the contrary, a stereotype of a monocentric country in which large regional disparities exist, while the economy has been booming the last decade. The last economy considered, on the other hand, is in a transition phase and its urban structure can be considered polycentric resulting in a relatively equal distribution of wealth and employment albeit with a significant lagging Eastern part. These kinds of differences between countries, and other differentiating factors as well that we do not discuss in this paper – think of the difference between federations and unitary states -, influence the perception of problems and consequently lead to a certain extent of variety in the development policies. Nevertheless, the policies have in common that they, for one reason or another, all strive towards a polycentric development and thus can be labeled as being polycentric policies. Therefore, the cases demonstrate the versatility of polycentric policies.

One of the main reasons to select these three country-case studies was the fact that they represent all major interpretations of polycentric policies as we found so-far in an exploration of policies in a large number of European countries. Based on the rationale behind the policies examined, we found the following six main categories of objectives of polycentric policies:

– **Developing more spatial balance and equity in the sense of diminishing regional disparities**. This objective is the most common of polycentric strategies. It is based on the norm that all inhabitants should, in principle, have equal access to employment and services and that the better off compensate in some way the worse-off (solidarity), as well as that economic growth is spread equally over the territory. This objective therefore refers to principles of economic and social cohesion. There is often the intention to prevent lagging regions from further peripheralization or to prevent increasing polarization in development (or development potential) between regions. Diffusion of prosperity is therefore a central theme. Some countries in which this objective is explicitly assumed include Ireland, Belgium (Walloon Region), Cyprus, Denmark, Finland, France, Germany, Ireland, Italy, Latvia, Luxembourg, Norway, Poland and Spain.

– **Strengthening the competitive position of urban regions.** Strategies based on this objective often refer to concepts such as global competition and global economy and the need for cities and regions to be competitive, since it are cities and regions that compete with each other rather than countries. This objective is usually elaborated in a classification of the national urban system based on the principle of hierarchy. This means that different classes of cities are identified, e.g. major centers that have to compete internationally, regional centers having to compete nationally and local centers. Increasing the development potential of these urban regions is crucial. Some countries base their strategy on the exploitation of endogenous potential, others emphasize for instance spatial quality. Most countries focus on the major urban centers, while some exceptions pay more attention to the medium-sized cities (e.g. Italy). Countries in which this objective is explicitly part of polycentric policies include Belgium, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Sweden and the UK.

– Linked to this objective are sub-objectives that try to give more power to the regional and local levels that have to compete internationally. This may be done, for instance, through administrative reform that enhances the competencies of regions and cities (Latvia, Greece). Another approach aims at increasing the local and regional organizing capacity of city-regions by fostering inter-municipal co-operation (France, Italy, Germany, Netherlands, most countries in Central and Eastern Europe where in most case the regional level in the national administration is virtually absent). Other incentives include financial incentives to businesses to locate in designated economic development areas (e.g Spain).

– **Development of 'urban networks'**. This objective is more or less related to the second one, as it also is about increasing the competitiveness of, in this case, polycentric urban regions. The policy stimulates the creation of more critical mass in letting two or more cities located close together form a more coherent functional entity and by fostering co-operation between them. The difference with the previous objective is that an urban network approach at the regional level combines economic goals (above all competitiveness) with ‘classic’ urbanization goals. The Netherlands provides a clear example of this objective, as a large number of urban networks are designated in the latest policy proposals. These are also ranked in a hierarchical way, for instance, a distinction is made into urban networks of (inter)national importance and regional urban networks. Poland presents some examples of ‘*duopols*’ or bipolar agglomerations, while Ireland positions what they call ‘linked gateways’, combinations of cities. This policy can also be found in Belgium (Flanders), Denmark, Germany, Greece, parts of the UK, and Italy.

– **Counterbalance (over)concentration**. Polycentricity refers here to an existing situation of unequal development (or development opportunities) in terms of population, employment and economic growth, leading to negative effects of overconcentration in one place while at the same time under-utilizing resources and potential in other areas. Obviously, this objective is closely related to the first one, the difference being one of nuance and terminology. The better off areas are often capital regions. Policies to counterbalance overconcentration can be found in Nordic countries such as Finland, Norway and Sweden, but for instance also in Luxembourg. These countries all have relatively monocentric urban systems.

– **Prevention of rural exodus.** In some countries, where there is a quite large difference in development (opportunities) between regions, people tend to migrate to the better-of regions in order to increase their chances for employment and development opportunities. In particular young people are inclined to do so. Some polycentric policies have the explicit objective to increase employment and development opportunities in rural regions, often by designating certain urban centers within rural regions in which development, services (such as education or the relocation of certain government agencies) and amenities will be concentrated. Ireland provided a clear example, but this objective plays a role as well in the in the polycentric policies of Greece, Spain, Norway and Sweden.

– **Avoidance of urban sprawl.** Here we move away from economic discourse and enter the realm of (often) long standing spatial planning to prevent disorderly urbanization and sub-urbanisation at the local and regional level. This objective can be found in countries with a high population density like for instance the Netherlands. Here, urban development must be concentrated in the urban networks, while urban development outside these urban networks is discouraged. In polycentric policies serving this objective, urban centers where urban development is allowed are designated. Next to the Netherlands, the Flanders region in Belgium provides a clear case.

It is important to emphasize that these six categories of objectives of polycentric policies do not exclude each other. Rather, polycentric policies in a country often refer to combinations of these objectives.

Some policy recommendations

Against the background of the three cases presented here we would like to draw some policy recommendations. A major conclusion we have drawn is that the mere term ‘polycentricity’ serves as a label for quite a variety of policy goals. This was to be expected since the document where polycentricity has been introduced, the ESDP, uses the concept in various meanings. Although the concept originates from a discourse on the desirability of the present spatial-economic structure of the European continent, and thus addresses the issue of Europe having just one (very) large economic core area as opposed to the United States, the writers of the ESDP also relate the concept to other spatial scales. Interestingly, the more one moves down the spatial scale, the more policy objectives are integrated in the concept. This is why the concept has become a container of all sort of policies, which the makers of the ESDP would like to become reality. Although this is all perfectly understandable the danger is that polycentricity becomes at the end entirely useless since it could mean anything. So, our first recommendation would be to disentangle the discussion by going back to the starting point of the polycentricity concept: the spatial distribution of wealth and income.

We then see two issues closely related to each other but certainly not being identical: the aim to raise the competitiveness of an area and its main constituent parts (the European Union, a country etcetera) and what is considered a fair distribution of wealth and income. The first requires a selective approach: selecting those areas (urban regions) which already have or are likely to have the greatest potential of becoming competitive. Seen from the second objective space should become a sort of level playing field, where conditions are more or less the same. So, formulated shortly, the issues here are competitiveness and equity (or in EU policy terms: cohesion). Both policy objectives are perfectly legitimate, but in terms of making them operational through policy measures it would make sense to, again, perform an act of disentanglement. It is perfectly clear moving down in these hierarchies of spatial designations we leave the realm of competitiveness at the European and global scale and enter the realm of what is considered a fair distribution of wealth and income or (as is the case in the French discussion on *territorial cohesion*) an politically and socially acceptable level of public services being available. Competitiveness and equity as two different (but nevertheless related) policy goals spark off different spatial designations, different portfolios of policy instruments and different agents. Potential conflicts can be cushioned by: 1) substantiated discussions; 2) the drawing up of complementary policy instruments for those areas/regions not favored by polycentricity policies (through, for instance, policies a directed at the improvement of urban-rural partnerships etc.). A recommendation here is that, in order to arrive at effective policies, persistency over time is needed, especially in those cases where there is a big gap between the present situation and the desired situation (see below). Polycentricity has to become embedded in overall policy for some time, without becoming doctrinal, i.e. not being able to learn. Effective polycentric policies are learning policies.

Another policy recommendation deals with the ambition of polycentricity policies. In the ESPON project on polycentricity four levels of centricity in the urban system (irrespective of the scale) are discerned: integrated monocentrism, outcoming polycentrism, metropolitan polycentrism and integrated polycentrism. These qualifications are related to the *present* structure of the urban system within a country. Similarly the main policy objectives pursued in a country can be distinguished, using the same categories. What can be noted is that in some cases there is a wide gap between the present state and the desired state of the urban system. For instance, in Ireland the ambition is to turn the actual situation (to be characterized as integrated monocentrism) into integrated polycentrism. Although there might be legitimate domestic political reasons behind this ambition it remains to be seen whether this policy might have a chance of becoming effective. For instance: the necessary available government resources at the long run are not available and market forces (which currently have produced integrated monocentrism) are unlikely to produce another urban pattern. The general recommendation here could be – since spatial and/or regional-economic policies in no country have ever been capable of drastically alter the spatial-economic structure – a phased policy has to be pursued. For instance: countries characterized by persistent integrated monocentrism might benefit more from a moderate policy objective like metropolitan polycentrism.In general it might be possible to design portfolios of relevant policy instruments if a country wants to ‘jump’ from one category of the present state of the urban system to another. For instance: in the case of integrated monocentism it makes sense to invest in large scale infrastructure because otherwise no ‘spreading’ of economic development is like to occur at any rate. If, seen from the objective of polycentricity, a country or region has reached a much more 'mature' state (for instance: metropolitan polycentrism), other, more soft policy measures are becoming highly relevant.

One obvious recommendation here is that at the national level there is political agreement to work into the direction of a (more) polycentric development of the national territory, capacity building at lower levels of scale becomes necessary. This means some sort of devolution. Also: co-ordination *within* the government administration is needed. If polycentricity (in one of its three basic forms) is to be brought about a concerted effort of national and regional government is needed. This means 'horizontal' and 'vertical' co-operation.

At the present in many countries it is from national *spatial* planning that polycentricity is advocated. In most countries spatial planning can only deploy regulatory frameworks, mostly concerning land-use. But *soft instruments* like a policy document can become powerful instruments. In those case where indeed spatial planning is advocating the policy objective of polycentricity, but this objective is politically not accepted yet, this policy domain should use the maximum of its communicative power being available: issuing documents with sound *narrative qualities*; invest in spatial visioning; invest in research and disseminate the research results; start a political discussion to put the subject on the agenda; form coalitions, for instance with the private sector. Most importantly: build bridges with sectoral departments with spending power (Infrastructure/public works; Regional-economic policy; all depending on the arrangements within the government). This leads to the following policy recommendation. It seems the concept of polycentricity is very much still a concept rooted in government administration (national/regional) and not taken up by the private sector. Spatial decision-making by the private sector (where to invest?; where to locate or relocate?) is highly decisive whether polycentric development will be brought about. It is therefore crucial to involve the private sector in polycentricity policies, for instance through the involvement of national business organizations.

As final remarks regarding the concept of polycentricity, it seems that it is following a destiny similar to that of many other concepts that have come before it. They often start as a tentative notion, a provisional working model. But all too swiftly, they become hardened into an *idée fixe*. Polycentricity now appears to be cropping up everywhere. Instead of using the concept as an aid to describe an existing or emerging reality, it is coming to determine that reality. It is not unusual for researchers to finish by saying that further research is needed. And, there are indeed a number of important issues about the nature, significance and usefulness of planning for polycentric urban regions which do need further empirical research. The good news is that a European Spatial Planning Observatories Network (ESPON) has been established to develop the research basis of the ESDP's concepts, notably the concept of polycentricity.

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HACCP AND ISO 22000
IN RELATION WITH FOOD SAFETY POLICY

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Abstract: **Food safety policy** refers to the "intention and orientation of an organization regarding the food's safety, as they are officially stated by the management at the highest level."

The ISO 22000:2005 standard defines the requirements for a Food Safety Management System (FSMS), necessary to be implemented by any organization who manages its activity on the food chain to demonstrate to the control organs, beneficiaries and consumers, but first of all to itself, the capability to control the dangers regarding the food's safety, to insure that the respective aliment is safe for human consumption.

This standard integrates the principles of the HACCP – Hazard Analysis. Critical Control Points and the stages of application elaborated by the Codex Alimentarius Commission, which functions within ONU, as well as the principles of the ISO 9001:2001 standard – Quality Management System. Through the auditable requirements, ISO 22000:205 combines the HAP plan with the preliminary programs (PRP).

Keywords: ISO 22000, food safety policy

One of the most important objectives of the processors form the alimentary industry consists of *planning and realization of safe products*.

The organization's leadership must plan and develop the processes necessary for the realization of products safe for consumption. In this purpose, there must be implemented and started several planned activities (including modifications to these activities) and, at the same time, to insure their efficiency.

The safety of the foods is linked to the presence of the dangers with alimentary origin in the foods, in the consumption's moment. Because these dangers can appear in every step of the food chain, the adequate control on all the chain is essential. Thus, the safety of the food is insured by the combined effort of all the participant parts of the food chain.

Through the time there has been proven that the food's safety is a problem of great complexity and diversity regarding the problematic which are presumed by its realization.

In the processes linked to the insurance of food safety and security which as been implicated very much in the Alimentarius Codex Commission, which, as result of the specifications of the *Directive 93/43/EEC* (replaced with *Directive 178/2008*), has elaborated the document *Recommendations of the International Code of Good Practices – General Principles of Food Hygiene (*CAC/RCP 1-1999*).*

Also in the *Directive 178/2002* we find the *Regulations the establishment of the principles and general requirements of the legislation in the food domain* and in the specifications regarding the establishing, in January 2002, of the ***European Food Safety Authority – EFSA***. In conformity with the reminded reglementations, the principle objectives of the EFSA are:

- The free circulation of the safe and healthy foods, in order that these contribute to the insurance of the health state of the consumers, as well as in what regards the social and economic aspects;
- The insurance of a high protection level of the human life and health, inclusively through the repression of the food frauds.

In conformity with the general requirements specified in the SR EN ISO 22000:2005, any organization which manages its activity in the food sector, <u>must</u>:

- Define the domain of the Food safety management system; this domain must specify the products/product categories, processes and production units in the Food safety management system;
- Insure that all the possible dangers regarding the safety of the aliment pulled in the market have been identified, evaluated and controlled in such way that the product which reaches the consumers is safe, does not harm his health (directly and indirectly);
- Communicate information regarding the problems of the food products' safety to their own partners from the whole food chain (especially where there are problems due to the nonconforming products which come from the suppliers, not the technologic process);
- Communicate information regarding the development, implementation and actualization of the Food safety management system to all those inside the organization implicated in the insurance of their own products;
- Periodically evaluate and update, if necessary, the Food safety management system, for insuring that the system reflects the activities of the organization and include the newest information regarding the possible dangers for the safety of the produced/delivered food through the activity it manages;
- Insure that the externalized services are effectuated in conformity with the requirements and do not endanger the food's safety. The control of such processes must be identified and documented within the SMSA.

The documentation for the Food safety management system must contain:

- ✓ Documented declarations of the organization's management referring to the Food safety policy, as well as the afferent objectives;
- ✓ Documented procedures, respectively records specific to the SMSA implementation;
- ✓ Documents necessary to the organization for insuring of the efficiency of the development, implementation and updating of the SMSA.

In conformity with ISO 22000:2005, <u>*the organization's management responsibilities*</u> presume:

1. *The management's engagement* – the top management must demonstrate that it is preoccupied and implicated in the development and implementation SMSA, as well as in the continuous improvement of the efficiency of this plan;
2. *Policy referring to the food safety* – the management at the highest level must define, document and communicate, internally and externally, its policy regarding the food's safety.
3. *Planning of the Food safety management system* – has as purpose the accomplishing of the requirements of this standard, as well as the reaching of the organization's objectives regarding the insurance of the food's safety;
4. *The defining and establishment of the responsibility and authority* – the top management must insure that within the organization there are defined and communicated the responsibilities and authorities which have the role to insure the efficient functioning and maintaining of the SMSA. The personnel from all the levels must have the responsibilities to report the problems which appear in the SMSA to the designated person/persons.
5. *The naming of the food safety management system* – the management from the highest level must name a leader of the food safety team.
6. *Internal and external communication* – for insuring that the problems referring to the SMSA are know throughout the whole food chain, the organization's leaders must

establish, implement and maintain the efficient communication measures with the external interested parts (suppliers and contractors; clients and/or consumers; legal and reglementation authorities; other organizations that have an impact on the SMSA implemented at the organization's level or which can be affected by the SMSA), as well as tat the level f the organization.

The external communication is very important, especially in the case in which there are certain dangers which must be known by several organizations which manage their activity on the same food chain; must be kept all the records of the respective communications, and the information obtained through the external communication must be included as entering elements for the SMSA updating and the management's analysis.

The internal communication or *the communication with the organization's personnel* has in view the obtaining of very good results in what regards the safety of the aliment as result of the personnel's informing referring to what is wanted to obtain through the SMSA implementation, to the aspects which have a certain impact on the food's safety,, to the problems which appear on the food chain and can be solved at the organization's level.

7. *Preparing and response in case of emergency* – the top management must establish, implement and maintain procedures for the management of the emergency situations and the potential accidents which can have an impact on the food's safety and which are relevant for the organization's position in the food chain.
8. *The analysis made by the management on the Food safety management system* – must be made at pre-established time intervals, which can insure that it still is corresponding, adequate and efficient.

Referring to the ***Food safety policy –*** the management at the highest level must insure that this policy responds to certain requirements, like:

- Is adequate to the profile, size and position of the organization on the food chain;
- Is in conformity with the existing legal requirements and reglementation ones in the organization's activity domain;
- Responds to the requirements of the consumers regarding the health and their safety;
- Is communicated, implemented and maintained at all the organization's levels; the putting in practice is continuously monitorized, regarding the modification/adaptation of the concrete situations from certain work points from the organization;
- Is sustained through measurable objectives.

For putting in practice a real Food safety policy, which leads to the obtaining of corresponding results, the team for the food's safety must be informed in time, concerning any modification brought to the product fabrication technology or any other aspect which could influence the products' safety, as:

- Obtaining, respectively launching the new products on the market;
- Changing/appearing of new raw materials/ingredients/externalized services suppliers;
- Modifications brought to the equipments/production systems;
- Modifications brought to the production/depositing spaces, the appearing of new production/depositing spaces;
- Modifications of the cleaning and hygiening programs, modifications in what concerns the substances for cleaning and/or hygiening;
- Modifications of the disinsection and pest control programs;
- Modifications of the packaging-depositing-distribution systems;
- New legal and reglementations requirements;
- New client and/or control organs requirements;

- New employees – qualification level, responsibility and authorization giving;
- Knowledge regarding the dangers concerning the food safety, respectively the corresponding control measures;
- Complaints which indicate dangers for the food's safety associated with the product;
- Other situations which can have an impact on the food's safety.

On the same direction, of the Food safety policy, the managing of the analysis made by the management on the Food Safety Management System presumes the existence of *entering elements* and, respectively *analysis exiting,* as well as the evaluation of the opportunities for improving/changing of the food safety management system, including of the food safety policy. It should be kept in mind that, there must be kept all the records concerning the analysis made by the management.

Among the *analysis entering elements* made by the management on the SMSA there must be found information regarding:

- ✓ The actions for tracing the preceding analyses made by the organization's management;
- ✓ The analysis of the verification activities' results of the SMSA;
- ✓ Situation modifications which can affect the food's safety;
- ✓ Possible urgency situations, accidents, product retrieving and recalling;
- ✓ The results of the MSA system update activities;
- ✓ The analysis of internal and external communication activities, especially those referring to the consumers' complaints;
- ✓ External audits, inspections etc.

The analysis exiting elements made by the management must contain decisions and actions referring to:

- ✓ Insuring the food's safety;
- ✓ Improving of the food safety management system's efficiency;
- ✓ Revising the *Food safety management* and of the organization's objectives, afferent to this policy.

Among those presented above, the organization's management must insure the adequate resources (human, infrastructure, financial resources) for establishing, implementing, maintaining and updating the SMSA.

In what regards the human resources, there must be retained that all the personnel who manages the activities with impact on the food's safety (not only the food safety team) must be apt, have studies, be trained, present abilities and experience in the field. In the case in which, for developing, implementing, functioning and/or evaluating the SMSA, it is necessary to appeal to the services of the external experts, there must be available records of the conventions or contracts which define the responsibilities and their authorities.

CONCLUSIONS

The requirements of the ISO 22000:2005 standard permit any organization on the food chain, indifferently of size, to enterprise specific actions regarding the food's safety insurance, like:

- ➢ To plan, implement, operate, maintain and actualize a food safety management system oriented on the supplying products in conformity with the requirements, safe for human consumption;
- ➢ To demonstrate the conformity with the applicable legal and reglementation requirements regarding the food's safety;

- To estimate/appreciate the consumers' requirements regarding the food's safety and to demonstrate the conformity of the product with those requirements, with the purpose of increasing the consumers' satisfaction;
- To communicate to the suppliers, clients and relevant parts interested from the food chain the current/possible problems regarding the food's safety;
- To insure that the organization is in conformity with its declared food safety policy, respectively to demonstrate this face to the relevant interested part;
- To follow the certification/recording of its own food safety management system by an external organization or, when the case, to make a self-assessment/self-declaration of its conformity with that standard.

The food safety team must manage a sustained activity, in order to implement in a corresponding mode the food safety management system, to improve this system if necessary.

Moreover, the top management within the organization must permanently insure that the organization continously improve the efficiency of the food safety management system through the use of all the instruments specific to this system (internal and external communication, management made analysis, internal audits, individual verification results' verification etc.).

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THE DEMING PHILOSOPHY AND THE QUALITY AWARDS

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Abstract: Eduard Deming summarised the own principles and concepts referring to the quality management in 14 points and identified 7 „quality lethal diseases" as follows: the lack of targets constancy; the short term profit importance; performance evaluation, productivity value or the annual value; the management mobility; management by using visible forms; excessive medical costs; responsibility excessive costs.

Deming didn't propose specific implementation methods because the desired his ideas to be studied and different approaches to be established.

Despite this issues, many firms organized actions to attempt a certain quality level starting from the Deming philosophy, efforts finalised with the Deming award for best results in the field. The main achievements are evidenced in the paper from a comparative point of view.

Keywords:quality, Deming philosophy, management

The Deming philosophy could be synthesized as follows: „Dr.W.Edwards Deming teached the trainees that adopting suitable management principles the organisations could increase quality and reduce simultaneous costs, by reducing looses, works repairs, employees abandon and conflicts, while the customer loyality increase. The key point consists in practice of the continous improvement and looking the production process like a compact system, not a broken up one".

W.E.Deming (1900-1993) was a much known statistician, teacher, writer and counsellor. Deming was among those who improved the economy of the U.S.A. in the 2nd World War, even he is best known for its activity developed in Japan. Starting from 1950, he contributed at a qualified top management creation, training Japanese and american company managers concerning the improvement of the services provided, of the products quality, those testing and of the selling manners using various methods, among these the practice of some statistical methods like „analysis of variance" and „hypothesis testing". Deming crucial contributed at the process of Japan transformation in real economical power, a country capable to produce innovative high quality products Ford Motor Company was one of the first American corporation who asked for Deming services. In 1981, Ford engaged Deming to help in the launching of the quality process took into account by Ford having in view the sales reductions. Between 1979 and 1982, Ford registered looses of 3 billions $. Deming doubted about the company culture and the operation methods of its managers. Surprising Ford, Deming didn't refer to the quality, but to the management, responsible 85% of the difficulties in the process of performant cars realisation. After 1982, Ford launched a profitable series of cars. Deming offer a management theory based on 14 points. Management shouldn't be evaluated only looking for profit but most of all depending on innovative plans to promote the business, to protect investments, to ensure dividends and more jobs thanks to products and services improved in quality.

Deming philosophy based on the whole organisation involvement (management, executives, providers), in the continuous production and technology improvement. The purpose of all parts involved cooperation its o reduce variations in the production or service providing process, most of all, the mistakes elimination.

The Deming prize is the Japanese national prize of the quality recognition. Founded in 1951 by the JUSE (Japanese Union of Engineers and Scientists), received the name of the W.E.Deming in his honour, like the American expert in quality control who introduced the statistical methodology of quality control in Japan.

Deming prize is one of the most prestigious prizes. It consists in an annual, national competition to reward those organisations and personalities which make exceptional efforts in promoting and implementation of quality standards, especially of the TQC (total quality control).

The three Deming prize categories are:

1) Deming prize for personalities;
2) The Applied Deming prize;
3) The Quality Control Prize destinated to departments of the organisations.

All companies rewarded with the Deming prize are companies who exerted a directly or indirectly special influence on the development of the quality control/management in Japan.

Those who established like objective the challenge to gain the prize considered they lived a valuable experience and the principle to obtain the success in business by the quality level improvement, worked. During the time, 143 companies received that prize and had like result their products and services quality improvement. The fame of this prize is the direct consequence of the company's efforts to gain again. Some of the results followed and obtain by those who established this prestigious prize and by the competitors, are as follows:

- Quality stabilisation and improvement;
- Productivity improvement/cost reduction;
- Sales increasement;
- Profit improvement;
- Business plans implementation;
- Managerial objectives accomplishment;
- TQM implementation by total involvement and the improvement of organisational constitution;
- Motivation level increasement in order to manage the development and standardization promoting;
- Correlation of the organisational power with the morality increasement objective;
- Establishment of various management systems in the total management system.

Criteria to reward Deming prize are very complex, covering all the aspects regarding the good development of the company's activity. There are grouped in 10 domains to be analysed:

1. The management manner adopted by the top management, the vision, the strategies;
2. The TQM frame;
3. The quality assurance system (SAQ);
4. The management system for the business elements;
5. Human resources development;
6. The efficient use of information's;
7. Concepts and TQM values;
8. Scientifically methods;

9. Organizational powers (technology, speed, vitality);
10. Contribution to the corporative objectives accomplishment.

The 10 big groups of analyse directions are divided in other groups to offer explanations referring to the significance and content of the 10 domained listed above. Therefore, all the aspects regarding the development of activities on short, medium and long term of the companies are observed.

One of the companies rewarded with the Deming prize is Fuji Xerox, founded like a joint venture between the Japanese photo firm Fuji Photo Film (75%) and the American company Xerox (25%), in 1962.

Fuji Xerox has like main activity the development, production and sale of xerographic services and products in the Pacific Asia Area. The concept of „Good Company" became the vision of Fuji Xerox in 1992. Following this concept, a company must offer three attributes: to be „powerful", „willingness" and „interesting". A powerful company could provide excellent products and services to satisfy all customers and partners involved. A company which manifest willingness contribute to the local community's development and other global fields like environment protection, ethnic norms and corporative rights respect. An interesting one offer to the employees to chance to work in a favourable environment to develop their skills. The Fuji Xerox mission is involved in the following declaration: „the establishment of an environment favourable to innovation and efficient use of the knowledge". The company values are considered: ethics; scientific thought; professionalism; team spirit, cultural diversity; trust and respect; joy and accomplishment; adventure spirit; customer satisfaction; environment respect. On the company site is given the explanation of the 10 values choice that Fuji Xerox established like reference in all activities: „each of the 10 values underline the responsibility assumed and establish the business approach adopted like society members and human being, way founded on the humanity respect".

Companies which obtained Applied Deming prize are:

- Shionogy & Co Ltd (pharmaceutical products);
- Kureha Corporation (chemical industry);
- Nissan Motor Co Ltd (cars industry);
- Tokai Rika Co Ltd (cars industry);
- Showa Denko (chemical industry).

Other companies rewarded with Deming prizes are: Shmizu (financial market operator in the field of building services); Toto Ltd (sanitary equipments); Amada Wasino Co Ltd (mechanic industry), Nippon Soda Co Ltd (chemical products).

In according with the Deming principles, the endless cycle of design, manufacture, testing and sales must be followed by a strong market supervise and reprojection. Quality improvement could determine cost reduction following to a more efficient use of materials, time and mistakes. The effect could be the increasement of the productivity that means new markets due to a superior quality at smaller prices. The final result could be in fact the business stability.

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