

2<sup>nd</sup> World Conference on Educational Technology Researches – WCETR2012

## The Role of Accounting information within the Management Process of Public Utilities Services

Gheorghe Claudiu Feies<sup>a\*</sup>, Cristian Feies<sup>a</sup>, Dorel Mates<sup>a</sup>, Dumitru COTLET<sup>a</sup>

<sup>a</sup> Faculty of Economics and Business Administration, West University of Timisoara, J.H. Pestalozzi Street, No. 16, 300115, Timisoara, Romania

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### Abstract

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

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Selection and/or peer-review under responsibility of Prof. Dr. Hafize Keser Ankara University, Turkey

*Keywords:* finance – accountant system, accountant information, operators of public services, informational system;

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### 1. Introduction

The community services of public utilities are meant to satisfy the common needs of the population, of the economic agents and the local institutions of the community, needs translated into securing the high quality living environment. These needs are connected to the security of the common means of transportation, of public lighting, of drinking water, of sanitation, of heating, and hot water etc.

The research methodology is to observe the specific activities of the operators of public utilities and their influence on the informational system. Here are presented the information provided by the financial-accounting system, as well as their users, focusing on the usefulness of accounting information in the management process and the regulation and monitoring process. In the management system of an operator of public utilities services, an important component is the informational financial-accounting circuit. The purpose of this circuit is to furnish accounting information to the management in order to adopt some decisions related to the organizing of the activities and planning of the investments.

The informational financial-accounting system includes informational activities represented by the production and utilization of information by the users. More precisely, there are three types of activities related to the economic information: searching for private information that are not available to the public, analysis, processing and

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\* Corresponding Author: Feies Gheorghe Claudiu. Tel.: +4-075-407-3456  
E-mail address: feiesclaudiu@yahoo.com

interpretation of information with the purpose of prevision (predictive analysis) and past performances analysis (retrospective analysis).

At the level of the operators of communitarian services of public utilities the financial-accounting information, in the form of specific data, is obtained from some internal and external sources and serve for the communication inside the organization with some receivers.

In order for the accounting information to be useful in the managerial system, it needs to have four main qualitative characteristics: intelligibility, relevance, credibility and compatibility.

Every society, micro or macro-economically, or when it comes to services operators of public utilities, it cannot last lacking the information and accurate reporting systems, the organizations lack the appropriate resources for an adequate management (Mates & Rusu, 2009). The securing and communication of information comprise the existence of a system providing both data collection and processing, and their distribution. The system is (or should be) acting upon the organizational structure of the society where it operates, involving an organized compound of resources needed for achieving the purposes for which it was created. The finance – accountant system represents a sub – system of one body informational system, and the information provided to the managers play a relevant role within the management of the peculiar activities of the field of activity, which in our research is represented by the services of public utilities.

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

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

In the management of public utilities services there should be a system to ensure the collection, processing, transmission, providing of financial-accounting information. Also, if the providing of information takes place electronically, it is necessary that the informational system to meet the requirements of the financial-accounting system of the operators, this being a basic component of the informational system. Currently, in the literature, due to the very high degree of computerization of the informational financial-accounting system existing in the Western companies, there is the trend to unify the concepts of data processing/computer system and informational financial-accounting system.

Regarding the form of accounting adapted to automatic data processing systems, the law regulates its use, as well as the conditions to be accomplished by a financial-accounting system. According to the Regulation implementing the Accounting Law, the individuals and legal persons using automatic data processing systems are obliged to ensure compliance with the accounting rules, data warehousing, keeping it under the form of technical support and control of the data registered in the accounting, and the organization of the system of automatic data processing has to provide all the necessary information for a possible control (Oprean, Racovitan & Oprean, 1994). According to the law, the requirements that a data processing system has to meet are the following:

- E to specify the type of support for the retention of data entry as well as the lists of the entries made in the book-keeping, based on the documents that are to be numbered in chronological order, the insertion, interpolation as well as any subsequent additions or deletions are forbidden.
- E The systems must clearly state the origin, content and belonging of each data; each data must have at its basis

the content of a written document.

- E The systems must allow, at any time, restoring of the elements and content of accounts, of the list and information under control, starting with the entries, or vice versa, from the synthetic content of accounts, of lists or other documents upon which the input data can be determined.
- E All balances must be the result of an account and where appropriate, of a previous balance of that account.
- E Each entry must be based on identification elements of data subject to processing.
- E The automatic data processing procedures must be organised in such a way to allow monitoring of compliance with the existing rules on data security and reliability of the data processing system.

The informational financial-accounting system of a service operator should not be conceived in relation to automatic data processing, as there are operators who lack such means. Regardless the mode of collecting, transmitting and processing the information (manually, automatic, semi-automatic), these can take many forms, from the point of view of the human perception: text, image, etc.

Due to the specific business requirements of operators and the needs of a community or region regarding the public utilities services, there are big differences between the implemented informational financial-accounting systems, from the point of view of their complexity and activity, as well as from the way they are organized and function or of their legal form. The quality of the results of an informational financial-accounting system heavily depends on the training of personnel, the informational and communication technologies which are available at a certain point in time, but also on the financial possibilities of the public utilities services operators.

The financial-accounting system is the most important component of an operator's informational system, managing basic information from the specific activity of public services, such as: information about the volume of the delivered drinking water or the heat that has been produced, the quantity of waste collected and stored, contract compliance, regularity of supply with raw materials, returns, payments, permanent record of the accounting operations, etc.

## 2. The information circuit within financial-accounting system

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

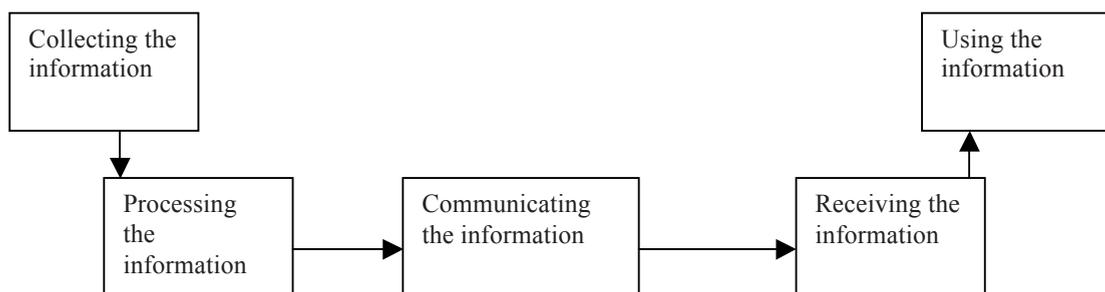


Figure 1. The path of the information from its security and to its usage (proposed processing)

The path of the information from its security and to its usage involves several steps: collection – processing – communication – receiving – usage. Thus, one may say that the totality of methods, techniques and instruments used

to collect, record, communicate, circulation, process and usage of the information within a system represents the accountant information system.

This system provides information to its users via a set of financial situations that needs to be comprehensible and transparent, though four of the five parts are flooded with information as ciphers that could generate difficulties while interpreting them by the users lacking in economic knowledge. The solution to this issue is provided by IFAC via explanatory notes and accountant policies. It is an issue of economic culture, of profound knowledge in applying IFRS, of professional reasoning of the accountant expert in the art of turning ciphers into coherent, simple, relevant explanations, so after the reading of such situations every user may take the best economic decisions. Therefore, it is necessary that the accountant management apply the most appropriate control and reporting managerial techniques of the financial situation, involving activities of analysis, planning, implementation and control of programs intended for providing the financial information to the decisional system, in compliance with the IFRS standards (Beke, 2010).

The personnel in charge with the management of the finance – accountant system, and implicitly of the accountant information circuit, should know the best the activity of the other divisions of the organization, so that the information secured and distributed to the decisional system answer the latter's requirements as for taking certain decisions with impact on the quality of the services provided to the population and the institutions of a community or region. On this line, the main goal of the finance – accountant system should be to collect and record data and information about events with an economic impact upon the management of the public services (Salehi, Rostani & Mogadan, 2010).

### **3. The role of accounting information in the investments decisions**

Generally, information, and mainly the accountant information, knows a constant changing in interest within the current conditions of the economic restlessness. The elaboration of certain adequate decisions, in compliance with reality and contributing to settle the issues occurred within the finance – accountant activity of the company, relies on the quality and quantity of the information provided by the economic informational system. Within bounds of this system, the accountant information plays a substantial role, and thus a series of arguments may be advanced, such as: the great majority of the information communicated within an economy is of accountant origin; it provides the possibility of a fair representation of the economic phenomena and processes; it comprises the highest level of reliability; it defines the magnitude and the value of the flows originating within the social reproduction process, both micro and macro-economically (Vatasoiu, Gheorghe, Motoniui & Boca, 2010).

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

In case of credit in order to cover the financial needs of the investments, the financial creditors are interested in the information allowing them to determine whether the granted loans and the related interests will be repaid when due. Equally, in case of the non – repayable financing sources, it needs to be proved the economic and financial profitability of the project and its part in optimizing the quality of the services provided to the beneficiaries.

The accountant information will provide the needed data to periodically estimate the different milestones of investment projects carrying out, especially as regard to observing the financial and technical criteria, and after its implementation it will be used by the projects management to determine the degree in which the financial and qualitative outcome have been achieved. Fundamentally, the long term managerial decisions in relation with the

investments projects (in the infrastructure or equipment) taken by the operators of the community services of public utilities, rely on:

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

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

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

#### 4. Conclusions and Recommendations

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

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

#### Acknowledgements

This article is a result of the project „Doctoral Programme in Economics at European Knowledge Standards (DOESEC)". This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by The Bucharest Academy of Economic Studies in partnership with West University of Timisoara.

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