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## ORGANIZATION OF FINANCIAL-ACCOUNTING ACTIVITY IN PUBLIC ENTITIES

**Ion CROITORU, PhD Associate Professor**  
Atheneum University of Bucharest, Romania  
ion.croitoru.ag@gmail.com

**Abstract:** *The financial-accounting activity represents the instrument within the public entity, with the help of which the patrimony of the public entity is managed economically, financially and. This activity records transactions and operations related to the establishment and use of public resources. The recording of operations in the entity's primary and accounting records complies with certain principles, rules and regulations, both for the collection and processing of financial data and information, and for orderly, systematic and documented recording. The financial-accounting activity reflects in monetary terms the movable and immovable goods, the availabilities, the rights and obligations of the public entity, the entrances or exits in and from the patrimony, other movements or patrimonial changes determined by the economic and financial operations realized on the incomes, expenses and results obtained. With the help of the financial-accounting activity, the collection and payment operations of the public entity are highlighted. It provides information to the management of the public entity regarding the execution of the revenue and expenditure budgets, the result of the budget execution, the patrimony under administration, the patrimonial result, the cost of the programs approved by the budget.*

**Keywords:** *financial-accounting activity, financial accounting, management accounting, public entity, financial-accounting information, financial-accounting system*

**Jel Classification:** *M00; M41; M42*

### Characteristics of the financial-accounting activity

According to the opinion of the specialists in the field (Raude and Pagat, 1991), the accounting is viewed from three points of view:

- usual - represents „the set of rules applicable to the management of state revenues”;
- technical - represents the „rules for presenting public accounts”;
- administrative - implies that „the rules of public accounting are both rules of presentation of accounts and rules of organization of public accounting services”.

According to these definitions, the organization and keeping of accounting is mandatory for all public entities.

The financial-accounting activity, through the actions carried out, provides the necessary resources in order to finance the programs, projects and activities carried out to achieve the organizational objectives.

The objective of the financial-accounting activity is the realization of revenues and the use of funds, the management of public and private patrimony of the state and administrative-territorial units, with the rights and obligations resulting from it, highlighting the results of the activity and elaboration of financial statements and financial reports.

Currently, the financial-accounting activity responds to the need to satisfy the management needs of the public entity, taking into account the legal, fiscal, social and economic imperatives. It is a complex system of collection, grouping, processing, recording, generalization of accounting and financial reporting elements and ensures the connection with decision makers or various users.

### **Organization of financial-accounting activity**

The organization of the financial-accounting activity implies a set of processes that specify the attributions, tasks, competencies and responsibilities of the personnel working in the field. Within the organizational structure, the functional relations of the department with the other functional structures within the entity are established, as well as the representation relations with third parties.

According to the opinion of specialists in the field, the area of financial-accounting activity includes:

- the accounting of budgetary revenue and expenditure which must reflect the collection of revenue and the payment of expenditure incurred during a financial year;
- the accounting of the state treasury, which ensures the collection and payment operations regarding public funds and other state operations, in accordance with the legal provisions in force;

- the general accounts reflecting the evolution of the financial and patrimonial statements, as well as of the surplus or deficit of the patrimony;
- accounting for analyzing the costs of approved programs.

The financial-accounting activity ensures the systematic and chronological registration of all economic and financial operations performed by the public entity, the processing and storage of information on the financial situation, financial performance and cash flows.

The responsibility for the organization and functioning of the financial-accounting activity rests with the head of the entity, who also fulfills the function of authorizing officer, and the financial-accounting activity is organized and carried out within a specialized department established separately within the entity. The financial-accounting activity is grouped within the financial-accounting function and represents an “interface” between: (1) the public entity, within which the activities and processes specific to the object of activity are exercised; (2) state, being the one that decided the establishment of the public entity and granted certain competencies to exercise in its name and (3) citizens, as payers of taxes and fees and applicants and beneficiaries of public services provided by the entity publish.

The organization of public accounting implies the observance of rules and norms common to those of general accounting, respectively:

- the use of common accounting records and forms;
- use of the balance sheet methods and the general chart of accounts;
- compliance with pre-established accounting rules and methods;
- recording economic operations chronologically and systematically, simultaneously in the debit of some accounts and the credit of others;
- determining the total amounts owed and the amounts credited, as well as the final balance of each account;
- presentation of the execution regarding the revenues collected and the payments made, as well as the surplus / deficit.

The financial-accounting activity is divided into two components: financial accounting, which provides information externally and management accounting, which provides information internally.

Financial accounting provides information about the entity’s past activity, „management accounting is a system that calculates and analyzes the value of internal flows in the organization. It must be adapted to the activity, functional structure and requirements of decision makers to the evolution of the economic environment and technological (Iacob, Ionescu, and Goagără, 2007)”. In these conditions we can appreciate that, through the tools used,

the management accounting provides information on the basis of which the decisions to be taken in the future can be based.

The financial-accounting activity contributes to the realization of the activities and programs of the entity through the balanced distribution of financial resources, and through the operations it performs, it provides information on the “economic and financial condition of the entity”. The information provided by the financial-accounting activity is used by the management in the decision-making process, and by the external users in the decision-making.

### **The importance of financial-accounting activity as a source of information**

Those responsible for the financial-accounting activity ensure, together with the subordinate staff, the systematic and chronological organization and management of the accounting, in accordance with the law, and carry out the annual inventory of the assets and liabilities elements.

The purpose of the financial-accounting activity is to prepare the periodic and annual financial statements, in compliance with the rules and procedures of preparation, to keep the supporting documents that formed the basis of the records made in the registers and financial statements, as well as to adapt management accounting to the specifics of the public entity.

The practice in public entities is represented by the fact that the accounting of financial-accounting activities is organized in a double entry and ensures the evidence of movements and transformations in the structure of assets, equity and financial results, at certain times.

Taking into account the internal environment of the entity, the financial-accounting activity is influenced by:

- the strategic objectives and the way in which the public entity has identified and ensured the necessary resources to achieve them;
- the organizational structure, respectively the way of structuring and dimensioning the financial-accounting department and the procedures and tools used in order to ensure the accomplishment of the financial-accounting activity;
- management style, which must ensure good representation in relations with the functional structures within the entity or with third parties;
- the quality of the staff working in the financial-accounting department, respectively the level of knowledge, skills and values that it holds, so that, through the analyzes, records and documents developed to ensure the provision of real financial information.

The financial-accounting activity is also influenced by the external environment of the public entity, respectively by the stability of the applicable legislative and methodological framework, the existing culture and mentality within the community where it operates and whose needs and necessities must ensure them, as well as the economic situation. of that community.

Public entities shall record in supporting documents, manually or using computer systems, the economic and financial operations at the time of their performance, on the basis of which they make entries in journals, files or checks, according to the established rules.

The checking balance is the accounting document used to verify the accuracy of the accounting records and to check the concordance between the synthetic and the analytical accounts. It is drawn up on a monthly basis, based on data taken from the general ledger and is the basis for the preparation of financial statements.

The instrument available to the public entity for the fulfillment of its functions and attributions, regarding the allocation of resources, redistribution of revenues and ensuring economic and social stability, is the budget of revenues and expenditures. With its help, the public entity provides annually the size and structure of revenues to be collected and expenses to be realized, the financial flows that form the financial resources and the financial flows that are generated from the management of these resources.

The document presenting the balance sheet is the financial statements, which include: the balance sheet, the income statement, the statement of cash flows, the statement of changes in the structure of assets / capital, the annexes to the financial statements, which include: accounting policies, explanatory notes and budget execution.

The financial statements provide a clear picture of assets, liabilities, financial position, as well as financial performance and equity result.

An important feature of the financial-accounting activity is the fact that any economic or financial operation, before being performed in accounting, must be recorded in supporting documents, prepared and approved under the law.

The financial-accounting activity is important within the public entity, due to the information it provides and the contribution it has regarding the improvement of programs and services provided by the public entity.

In order to ensure a qualitative level corresponding to the financial-accounting activity, the management of the public entity has the responsibility to develop accounting policies for the operations performed, in accordance with the regulations in force “it is important for each entity to establish accounting policies for accounting recognition of transactions. strict compliance with

accounting regulations” and “the management of each entity must establish accounting policies for the operations carried out. These policies must be developed taking into account the specifics of the entity by specialists in the economic and technical field, knowledgeable of the activity carried out and of the strategy adopted by the entity”.

### **The role and place of the financial-accounting activity within the public entity**

The financial-accounting activity is responsible for the presentation of the patrimony situation and of the operations regarding the patrimony, respectively the evidence, calculation, analysis and control of the movable and immovable goods expressed in monetary standard; ensuring the control of the patrimonial operations and of the processing procedures used, as well as of the accuracy of the accounting data provided.

The role of the financial-accounting activity - the financial-accounting activity represents at the level of the entity a subsystem, which includes inputs, processes, outputs and results, with the help of which the manager performs his attributions regarding the economic function of the public entity.

Regarding this assessment, we consider that the financial-accounting system represents at the level of the public entity a subsystem which in turn breaks down into the financial subsystem and the accounting subsystem. The financial subsystem aims at ensuring the financial stability of the entity, monitoring the efficiency of the use of resources and adjusting the „critical points”, which generate losses, as well as optimizing costs. The accounting subsystem provides the information necessary for an adequate control over the financial elements and the operations carried out and ensures the obtaining of managerial information from different levels of the organization for the purpose of planning, decision making, monitoring and performance control.

The financial-accounting activity ensures a faithful and clear image, regarding the situation of the execution of the revenue and expenditure budget of the entity and of the information it provides, respecting the specific accounting principles. In view of the above, we consider that the role of the financial-accounting activity is to correctly reflect the process of execution of the revenue and expenditure budget, to provide operative and real information on the economic condition of the entity, to help the execution correct and complete budget and prevent error and fraud. Seen as an integral part of management, the financial-accounting activity interferes with the management functions, but the difference is given by the intensity with which these functions are manifested.

Place of financial-accounting activity - the decision-makers within the entity are concerned with finding solutions to ensure the availability of financial resources necessary to carry out activities in order to ensure the achievement of objectives.

Analyzed from an economic point of view, the financial-accounting activity reflects, following the use of specific procedures and instruments, the existence, status and transformation of capital. It is reflected in the form of procurement, acquisition, allocation, use, consumption or replacement of goods.

Analyzed from a financial point of view, the financial-accounting activity reflects the existence, state, movement and transformation of economic resources. They are individualized at the time of entry, in the process of use, as well as at the exit and are treated at the same time as assets and liabilities.

In these conditions, the financial-accounting activity is important, because it reflects the patrimonial operations and provides information regarding the economic state of the entity, information that is used by a series of users, depending on their interests.

### **Particularities of the financial-accounting activity in the public entities**

The financial-accounting activity, as part of the general accounting, is mandatory to be organized by all public entities and must ensure the registration of all operations related to financial resources, patrimonial inflows and outflows, as well as other operations related to the activity carried out.

Public entities have the obligation to process and maintain information on the balance sheet and the results obtained, to control the patrimonial operations and processing processes used, as well as to be responsible for the accuracy of the financial data and information.

From the research of the specialized literature we deduced the idea that the rules and methods of organization and functioning of the accounting of public entities are common with those of general accounting, as follows:

- the accounting is organized and conducted in the double entry;
- the recording of operations and transactions is done chronologically and systematically in accounting;
- the amounts resulting from the economic operations carried out are totaled and recorded in the debit and credit of some accounts, according to certain pre-established rules and procedures;
- drawing up, on a monthly basis, the checking balance, which reflects the equality between the total debit and credit amounts or the total debit and credit balances of the accounts;

- the presentation of the budget implementation, at least annually, of the revenue received and expenditure incurred, as well as of the surplus or deficit;
- the use of models of accounting records and common forms on financial and accounting activity.

In our opinion, the financial-accounting activity carried out by public entities has certain characteristic features, as follows:

- public entities are non-profit and do not carry out productive activities, they are bodies through which the state exercises its role, attributions and functions in various fields (administrative, socio-cultural, public order, social assistance, economic);
- public entities are not profit-making, they are organizations that generally carry out and produce public services, depending on the needs and requirements of citizens;
- revenues generally consist of taxes and duties, allocations from the state budget, own revenues, other revenues established by law;
- the financing of current and capital expenditures is ensured from revenues established or received, from extra-budgetary revenues or from special purpose sources;
- the amounts resulting from the sale or capitalization of the owned goods constitute revenues to the local budget;
- fixed assets resulting from investment expenses or received by transfer increase the public or private patrimony of the entity;
- generally, do not set indicators of profitability and economic efficiency, but set indicators for measuring the degree of achievement of objectives;
- does not calculate and record the wear and tear of inventory items or the depreciation of fixed assets gradually, but only once, when purchasing them;
- for the activity carried out, they draw up Income and Expenditure Budgets, and the results obtained are reflected through the Financial Statements;
- the financing of the activity is made on the basis and within the limits of the approved revenue and expenditure budgets;

### **The quality of the information produced by the financial-accounting activity**

Financial-accounting information is useful if managers use it to understand economic and quality reality when making appropriate decisions.

The current practice in public entities is to provide external financial-accounting information only if it is a legal obligation (Malciu, 1998).

Financial-accounting information is a basic component of the information process and the main source through which the economic situation of the entity is known. In this sense, the specialists in the field (Feleagă and Ionescu, 1998) consider that the financial-accounting information „proves indisputable qualities that increase the efficiency of modern management”.

Opinions on the efficiency or quality of financial-accounting information must be common and lead to „the objective and complex need to assess the efficiency of each category of information circulating in the system and their contribution to maximizing management and global economic efficiency (Paraschivescu, and Păvăloaia, 1999)”.

Financial-accounting information is the basis for current or operational decisions, as well as strategic decisions, taken in all areas of the entity’s activity, including investment development. They fall into two categories: financial accounting information and management accounting information.

Financial accounting information is intended for external users, such as investors, employees, creditors, the government or the general public, and is provided through summary financial statements.

The management accounting information is intended for internal users, respectively for the management of the company. This information is non-standard and includes data on the costs incurred for the provision of public services. The development of the activities of the public entity determined, both the diversification of the financial-accounting activity, as well as the increase of information needs and “the development of the economic information system and its component elements (Danescu, 2000)”.

In our opinion, the information system of the public entity “incorporates the methods, techniques and tools used to collect, record, transmit, process and capitalize on information in a system (Oprean, Racovițan, and Oprean V., 1994)” so as to meet the needs of management or users. Also, the financial-accounting information represents data collected and processed, according to certain rules in order to provide a true picture of the economic situation of the public entity. They reflect „the form of interconnection between two material processes so that the properties of one (the issuing process) are reproduced in the second (the receiving process) (Căinap, and Bătrâncea, 1993)”.

A financial-accounting information system is an organized set of economic information, obtained by processing primary data on economic and financial activities carried out by the public entity and which are necessary for the organization and management of its accounting.

The information contained in the financial-accounting information system meets the following requirements: it provides the necessary elements to substantiate the decisions; correctly presents the patrimonial situation of the public entity and faithfully presents the results of economic and financial activities carried out by the public entity. In general, „financial analysis uses all sources of information that can clarify certain issues in order to establish a financial diagnosis (Cohen, 1997).”

In the process of providing financial-accounting information there are also some limitations, generally determined by the following: the data provided by the financial-accounting activity are expressed in historical figures, not being adjusted to ensure their comparability; equity valuation methods differ from one entity to another, which creates difficulties in making comparisons between various results obtained and reluctance to present information on the quality of programs and applications, staff qualification, management team capacity, adequacy of the system. management and established labor relations.

In substantiating managerial decisions, financial-accounting information has, in relation to other types of information, some advantages, as follows (Vasile, and Croitoru, 2012): most of the information circulated within an entity is of an accounting nature; offers the possibility of accurate representations of economic phenomena and processes; have a high degree of certainty; characterizes the size and value of economic flows that arise within the entity.

In our opinion, the existence of relevant financial-accounting information constitutes for the management of the public entity the support of the substantiation and decision-making of the managerial, and for the external users the support to act and operate in safe conditions.

## **Conclusions**

Improving the performance of a public entity involves the possibility to substantiate and adopt decisions based on information that meets certain quality criteria. In this sense, the financial-accounting system proves its usefulness only in the conditions in which it helps to prepare the managerial decision and allows its taking in conditions of efficiency and effectiveness.

In this context, the economic and social environment in which the public entity operates is constantly changing and evolving, following the opportunities and constraints, internal and external, to which the entity is subject.

The importance of the financial-accounting activity carried out by the public entity is characterized by the functions that this field of activity fulfills, respectively:

- the function of reflecting and centralizing the financial-accounting information. The financial-accounting activity constitutes the sector of activity of the public entity where information regarding the collection and allocation of the resources at its disposal is centralized and consolidated.
- financial communication function. The place that financial-accounting information occupies in the entire information system of the entity, gives this function a special importance, given that most users rely on these reports when assessing the position and financial performance for decision making.
- analysis function. This function is manifested in the process of assessing the degree of achievement of the entity's objectives regarding the commitment and use of resources and aims to identify deviations from the results obtained compared to those planned, following the performance measurement using established indicators and to establish corrective measures. in order to improve the activity carried out.
- the forecast function. The accomplishment of this function supposes the determination, based on the information provided by the financial-accounting activity, of some pertinent forecasts regarding the way in which the entity will carry out its activity in the next period.

In the broadest sense, the accounting of public entities is an activity specialized in measuring, valuing, knowing, managing and controlling assets, liabilities and equity, as well as the results obtained from the activity carried out within the entity.

The measures taken ensure that corporate governance officers ensure that the activities are under control, that the entity's assets have not been damaged, and that operations, transactions and results are properly reflected in the primary, accounting and financial reporting documents.

The optimization of the financial-accounting activity must be regarding the evaluation of the use of public resources, the appreciation of the obtained performance, the analysis of the measures taken regarding the use of resources and the degree of fulfillment of the established objectives.

In order to obtain quality financial-accounting information, which would help to substantiate the managerial decisions, it is considered that "the financial-accounting activity carried out at the level of public entities to perform the measurement, evaluation, knowledge, management and control of assets, liabilities and equity , as well as the results obtained from economic activity (Vasile, Croitoru, and Mitran, 2012)".

In our opinion, the financial-accounting system should not be considered as consisting only of the activities carried out within the financial-accounting department, but, appreciated, in terms of all activities carried out within the entity that have financial implications.

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