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The importance of accounting principles in the accounting profession

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Abstract A true professional accountant must meet the following basic requirements: integrity, objectivity, professional competence, confidentiality, professional behavior, respect to technical and professional standards.
Integrity expresses conceptually the professional accountant's obligation to behave with honesty and fairness in professional and business relationships. Any company is seeking an accountant as, sincere and honest, which means the operation of fair dealing and fair protection aginst misinformation, omissions or misleading information.

Keywords:

1. Introducere

Objectivity is an expression of professional commitment not to discredit the image of the profession because of errors, conflicts of interest, unwanted influence and pressure from external medium.The accountant must be impartial and must not allow prejudice or deviations on non respecting the objectivity.

Professional conduct involves equally honor and loyalty, professional accountants' duty to adapt to relevant laws and regulations and to avoid actions that may compromise the accounting profession. Professionalism requires exclusion of exaggerated claims for offered services, the qualifications and experience he helds, inappropriate references or unsubstantiated comparisons on the work of others.

The respect for the technical and professional standards requires performance of work in accordance with applicable technical and professional standards, following simultaneously the satisfaction of customer's requirements or employer's and if they are compatible with the requirements of integrity, objectivity and independence.

Following the description of basic requirements that must be followed by an accountant we can conclude that adaptation to these outlines the protection of the profession, of every professional each hand and satisfying the public interest by ensuring the credibility, the manifestation of professionalism, achievement of high standards of quality for services.

Everyone knows that the basic role of an accountant is to generate and present financial information or to represent the true image of enterprise development through the annual financial statements. Fair view concept is related to two attributes of accounting, which is the regularity and sincerity, which involves adopting the principles, conventions and accounting rules into their accounting policies or their application in good faith. Hence the basic rules then lead the professional accountants are the accounting principles that have a great important influence in the development and transmission of accounting information.

The importance and the actuality of accounting principles

The role of principles is a central, fundamental one in the accounting system taken as a whole, they guide the current and future work, give a character of stability and balance, coherence, comparability and consistency to the normative and practical approaches in accounting provided that the approach and application of accounting principles to be made equally discerning, in good faith, with objectivity and flexibility. [1] Compared to the laws of other sciences, which never changes, accounting principles are muabile. They have been designed over the years in recognition of the practical usefulness.The accounting principles should not be overrated, they contain a dose of relativity. The accountant is the one who takes responsibility for their choosing, interpretation and application, being influenced by the company's policy, strategies and external factors such as the economic climate, the political and social one.

We will present several series of accounting principles which we believe have a significant impact on the work of a professional accountant who wants to know the true form of success.

The prudence principle- the reasoning of the professional accountant

A principle with the largest area of knowledge is the principle of prudence. The general *Framework for the preparation and presentation of financial statements* elaborated by the IASB presents the prudence among qualitative characteristics of financial statements, ie, as a component of credibility. It states that "prudence means including a degree of caution in the exercise of judgments needed to make estimates required under conditions of uncertainty, so that the assets and the income are not overstated and liabilities and expenses are not understated". [2]

Precautionary principle is based on the assumption that for the external user of accounting information provided by the company, it is more dangerous overestimation of profits and asset values than underestimating them. [3]

In our opinion, the accounting prudence gives a picture of a pessimistic and bored person and when he is faced with the choice of several assessment methods he chooses the one that ensures the lowest income, the lower asset value and the highest value of debts. But excessive optimism is not well regarded in the accounting profession too, because it runs the risk of allocating dividends from the profit that has not yet been achieved. The prudent accountant qualities can meet in directing the figures about the movement of means and resources of a company, the care in preparing the financial statements and caution on the occurrence of any errors.

We see caution as a characteristic of accounting information to be followed in forming a rational judgment when decisions must be made under uncertainty. [4]

From our point of view, the principle of prudence is controversial because contradictions arise in identifying uncertainties regarding recognition of probable losses and liabilities and non-recognition of the likely benefits and assets in the financial statements that affect a company. Although the accounting principle of prudence requires pessimistic vision about the heritage, he protects the company undertaking any loss in conditions of uncertainty.

Going concern - health certificate for an entity

One of the least controversial principle is the continuity of the activity that must not be regarded as an accountants' assumption or as a guidance in presenting the work but rather as an observation of the environment in which business is conducted. This principle neither directs nor affects the accounting's actions, but allows him to act. Business continuity is a basic concept that generates the other accounting principles without which we can not talk about accounting information, financial statements and overall enterprise.

The continuity of activities exists or does not exist, depending on the reality of the enterprise, and the characterization of non-continuous or continuous state guides the professional judgment, without compelling it. [5]

For an accountant to communicate users of accounting information about the ability of the business continuity or non-continuous attribute is undertaking a health certificate or a death one to the company. This principle does not necessarily means that the company will have an indefinite life in time, but is envisioned that it will continue to exist a sufficient period for the plans and activities provided to be accomplished and the commitments and contracts assumed to be followed.

The permanence principle of methods- the enterprise's accounting strategy

Starting from the idea that different methods lead to different results, formulated by F. Neumann, we believe that the consistency principle of methods or the one of coherence plays an important role in the work of an accountant. Its importance is even greater as it is in relation to what might be called "the accounting strategy of the company." The consistency of methods quenches the thirst of the enterprise managers to choose each year which method is the most favorable, the one that "inflates" the result, or especially the one that reduces it.[6] The consistency principle of evaluation methods and of accounting information presentation ensures their comparability in time and space. This principle requires the accountant to choose an accounting method that best suits the achievement for the objective of a true image and which should be followed by consistently thereafter. For example [7] we suppose that in a time of price increases a company changes its method of evaluating the output from LIFO to FIFO inventory, so the net result is much higher than the previous year. Exclusive analysis of the results indicates an increase in the performance of the company. However, taking into analysis the accountant modality for approaching and presentation of the information, we do not reach the same conclusion. It is obvious that the result from the year the change of method has been achieved, includes the results that were not recognized in previous years.Thus, the application of different assessment methods lead to different results, which are not relevant in making decisions based on information presented in the financial statements.

Another example would be that in a year the accountant presents the profit and loss account by clasifying the expenses after their nature, and the next year aftertheir detination, and hence they are not comparable information.

As a corollary to the above, we can say that the accountant should respect the principle of consistent methods, nor to generalize it, because there are a number of economic, financial, social events when the accountant of a business is forced to change some of methods. In this situation, the accountant should submit the following information to the financial statements: report of change, reasoning and explaining the consequences on the patrimonial situation and on the results.

Netting principle vs. true image

Another principle with a high degree of significance in the accounting profession is the netting principle which is set in the OMPF 3055/2009 [8] in the following way: any compensation between asset and liability items, or between income and expense items is prohibited. Any compensation between claims and liabilities to the same economic agent can be made, under the law, only after registration of revenues and expenditures at full value in accounting.

Ignoring this principle can lead to a distortion of the results of the exercise, a true and fair view of the entity's assets, which leads to unconvincing accounting information.

Unlike the accounting principle of consistency where the accountant can choose a method to bring a favorable outcome, the netting principle does not allow the accountant a deviation from it , regardless of the final outcome.

Conclusion

Professional competence requires that the accountant has a solid base knowledge level, to responsibly fundament the professional judgment underlying the opinions expressed by it. Constant development of professional competence is the essential requirement to justify the client's expectations, of the employer’s. It assumes that the accountant is aware of the latest changes and news from the professional practice of law and from work techniques.

Confidentiality requires professional accountants to refrain from using confidential information held during the performance of professional services for personal or third party's purposes. The obligation of professional secrecy acts both within the contract period and beyond.

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