

## **Professional Accountants as Consultants for Business**

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### **Abstract:**

The role of SMEs in our society has become increasingly important as creators of employment opportunities and as key players of the local and regional prosperity. The changing environment in which the enterprises operate as well as the limited resources, emphasize the role of the professional accountants as main consultants for the enterprises. The present study aims to highlight the role of professional accountants as consultants, namely to provide the best services in the financial, accounting, fiscal, human resources, etc fields, offering solutions that help the enterprises to improve their activity by increasing the efficiency and productivity, giving them a quality product by extracting from the legal and financial chaos, practical solutions for the problems they are facing.

**Keywords:** consultancy, small and medium enterprises, diagnostic analysis, diagnostic

### **1. SMEs – the main beneficiaries of consultancy**

The SMEs are a formed in a very diverse and heterogeneous reality. The health state of an economy depends on the number and dynamics of SMEs, as their degree of success on the market. The SMEs play an essential role in the economy of a country they generating jobs and at the same time represents a source of entrepreneurial skills, innovation and creation of work places

The positive effects generated by the SMEs sector are numerous, the most common being: improving the competitive environment, creation of opportunities of development and adaption of technologies, occupying the market niches that are not profitable for large companies, anchoring in the local economies by capitalizing the local resources (financial, materials, labor, and informational).

With their small size and large number, the SMEs emphasize the atomicity character of the market, thus reducing the power of large enterprises to influence it. The ability of SMEs to stimulate the competition weakens the monopoly positions of large enterprises, reducing their ability to raise the prices.

On the labor market, the SMEs generate the largest number of new jobs and with a lower capital cost, being an important alternative to combat the unemployment. The SMEs represent over 99% of the total number of enterprises, in most economies. In Romania this share rises to 99.6%, of these 68% operating in commerce sphere.

In terms of internal organization of SMEs, it is influenced by two aspects:

1. In most (80%) of cases the management is provided by the owner, who contravenes in a certain extent the appearance and manifestation of dissociation of authority.
2. The employees are weak or less unionized, it contributing to the formation of some special relationship between them and the owner, relation influenced by the personality of the leader.

All the changes, catalyzed by the economic crisis, managed to remove a good part from the Romanian management of the state of dreaming and self – sufficiency. The SMEs management became more interested to analysis how it is created value added within the own business instead of perceiving the business processes as a black box in which are entering resources and results incomes.

Also, the management is more realistic in terms of return of investments. Instead waiting the return of short term investment, most of them have reset their expectations to 2-3 years, an approach that is more realistic and healthy for Romanian SMEs.

At current conditions, the SMEs management has only one option to ensure its survival: increasing the level of professionalism and learning the tools and modern management techniques of their own companies.

Maintaining the operation and development of SMEs is determined by how they respond to the market demands which led to their establishment. Given that these requirements are constantly changing, the SMEs must have in view the same goal namely that the result of their activity to be better, more efficient, more accessible, that is to achieve superior results.

The managers of firms have as primary task finding the most effective ways to ensure the performance in their activity, obtaining superior results in short intervals of time and ensuring the continuity of improvement process of their activity. However, the solution to overcome the crisis period, are not only related to their management, authorities or banks, but must take the form of an agreement between all participants at the economic life of the country, including with the accounting profession, by granted consultancy.

## **2. THE NEED OF EXTERNAL CONSULTANCY OF ENTERPRISES**

The consultancy, regardless of its area of expertise, is the star of western professions who gained field and in Romania.

If until recently, the consultancy was regarded as a luxury or as an attribute of the companies oriented towards innovation and development, at this time these services are becoming rather the solution of a way out for the companies found in a critical situation.

The purpose of consultancy services is to provide the best services in the financial, accounting, fiscal, human resources fields, etc., offering solutions that help the enterprises to improve their activity by increasing the efficiency and productivity, offering them a quality product by the removal from the legal and financial chaos, practical solutions to the problems that are facing.

Knowing the positive and negative effects on the companies is important for management, because on this basis there can be taken management decisions to counteract the negative influences that may exist and to exploit the positive influences of them.

### **3. THE ATTITUDE OF ENTERPRISE'S MANAGERS TOWARDS CONSULTANCY**

The attitude of the enterprises towards the opportunity to seek consultancy is contradictory. Some companies are open to use the services of some consultants, precisely because it is a good time for changes, restructuring and rapid solutions on short term, which most often are hard to implement without external support.

Because their internal resources are limited, the SMEs owners and management increasingly use, in their activity, the external sources of consultancy.

The enterprises want that the professional accountants to consult them, offering strategies to assist them in attracting funds, risk management, in assessment as in many other situations. On the other hand some of the enterprises, although they lack of internal expertise, from habit, are avoiding accepting possible consultancy services from the professional accountant with which the companies are already working to prepare financial statement of for fiscal aspects.

A part of SMEs from Romania, are not always aware by the importance of external consultancy services, calling to it, most often in cases of emergency, requiring rapid solutions that to produce tangible results the next day. They do not choose to consult a professional accountant only when are found in extreme situations. There is still a tendency to be consulted on the financial strategy, only after the event occurs.

At the level of the enterprises there must be a practical vision on the consultancy offered by the professional accountants. We believe that it was entered into another stage of business consultancy offered by the professional accountant: providing useful information relevant form the business environment in general and for SMEs in particular, is a challenge and depends on the one hand the diversification of work services that are demanded by SMEs and to the same extent by providing integrated services to SMEs.

#### **4. THE ROLE OF PROFESSIONIST ACCOUNTANT AS A CONSULTANT FOR ENTERPRISES**

The main role of the professional accountants for the enterprises is given in the first place by the changing environment in which operate the enterprises as well as and the limited resources.

If on international plan are distinguished concerns of the main professional bodies in the field to support SMEs, these concerns are and one of the primordial objectives of CECCAR. Within CECCAR works a committee concerned to identify the SMEs needs and setting concrete directions and strategies of operationalization of the business consultancy.

In terms of supporting SMEs, especially in this period, Mr. President Marin Toma, said that the professional accountants have their role well established in protecting this type of enterprises. "The professional services from accounting domain can't have the same course. Currently, someone has to make the balance sheet, someone else to give consultancy, others to perform a control, and this means huge costs for SMEs. We must pass on to integrated services for these enterprises."

To understand the role of accounting profession in providing business consultancy to small and medium enterprises (SMEs), it is important to establish the general context in which is developed this important role. The SMEs operate in very different areas, are themselves very diverse in nature (comprising micro and medium enterprises). And the problems with which they face are different.

The potential beneficiaries of business consultancy services, are characterized by diverse request and a heterogeneous behavior toward the professional accountants and the services offered by the. Therefore, the policies and practices that aim the needs of SMEs, must take full account of this diversity.

The realities of economy show us that with the difficulties of enterprises, the consultancy, must develop, as area, content and operation, so that they can supply elements necessary to take decisions, to reflect exactly the patrimonial situation of them and the results of economic and financial activity.

The role of the professional accountant to prepare the financial statements of a society must pass into the background. He is forced to assume the tasks of design, synthesis, prediction, participation at the enterprise's strategy work.

The modern professional accountant should occupy an important place among the specialists of SMEs and to bring its contribution at to the good management and leadership of the enterprise through consultancy that it provides. He is able to comprise through an overview the situation of the company and to define in each case the consequences may have a decision of management with general character in certain activity conditions, he is the one that may understand and apply better the notions with profound economic content such as: heritage of it, productivity and economic efficiency, increase the effectiveness of decisions.

That is why, in the present context, is necessary to extend the scope of responsibilities of the professional accountant and diversification of the provided consultancy, in order to generate high quality services for enterprises.

## **5. OFFERED SERVICES**

Clearly, in the last 20 years, in Romania, the services provided by the professional accountants, as consultants for enterprises, have diversified.

The main services with which a professional accountant must come to help the enterprises are the following ones:

### **A. MISSION OF HOLDING THE ACCOUNTING**

The professional accountant should not resume only to the mechanical recording of the documents and at the preparation of financial statements. As the principal advisor of the company, he will have to work for:

- analysis of costs and informing the society's management about the abnormalities that are found. The accountant can help the company's management to have a meaningful vision on the costs and profitability by applying some methods of calculating the cost on an object, on a product or a portfolio of clients;
- identification of distortions generated by inflation, the impact on the company's management, causing the managers to act accordingly;
- quantifying the incidence, depreciation of the national currency, on financing the company;
- details in analytic of the accounts of expenditure, especially, taken into account that an accounting held only synthetic, may determine troubles and difficulties that may go until entering into insolvency.

### **B. SERVICES OF DIAGNOSTIC ANALYSIS**

A diagnostic analysis is necessary when the unit is in difficulty, in order to identify the causes and measures to repair the faults.

Based on the diagnostic analysis there will aim to identify opportunities to improve the performances, as well as and of trends that are generating malfunctions in the future. It is considered that the diagnostic analysis is essential when:

- are initiated actions of restructuring/privatization/sale – purchase, cessions of shares;
- are done associations, are established mixed companies, are initiated collaboration with foreign partners;
- is found a crisis situation within the unit;
- is followed the improvement of preventive control;
- are closed or renewed managerial contracts
- are requested bank loans or budgetary subsidies from economic agents

### **C. CONSULTANCY TO OBTAIN FINANCING**

The consultancy is necessary to obtain financing of the enterprises, because there are so many measured in absolutely all areas. The changes produced by the financial crisis in the business environment, have shaped the groups of users and their attitudes towards accounting information have taken more concrete forms.

The globalization of the markets and crisis conditions determine that the SMEs to have a huge need for funding.

The SMEs are looking for financing on the foreign markets because the cost of capital is a very important element in achieving the performance, expressed through profitability and liquidity. The access at financing on a capital market is conditioned by the fulfillment of some conditions related to the accounting rules from each country.

Another source of financing is the projects. Projects are being made even now, but the problem is financing from banks. Slowing down the activity comes from the draconian requirements of the banking system, all as a result of the economic crisis. After the approval of the project, because to the company there aren't granted loans, from ten projects, two are dropped.

The increasingly number of people who obtain approval for the proposed business projects, but they renounce at them, this is because the lack of money which should sustain the business is growing. The stagnation of the company's activity leads to reducing work places, increasing layoffs and even decreasing the taxes received cashed at the state budget, the phenomena being in the disadvantage of the local economy. Most projects are still required on the public sector.

Unfortunately, due to the fact the financial market is still in development, most SMEs resort to form of finances known, bank loan.

#### **D. CONSULTANCY FOR IMPLEMENTING THE EUROPEAN PROJECTS**

Another component of consultancy is the consultancy for implementing the European projects. The professional accountants are often contacted for the stages of implementation of the projects for European funds from agriculture and rural development. Moreover, it is not forecasted a stagnation of this type of consultancy as long as the EU funds will be allocated in Romania and after 2013.

Many contracting for projects come from tourism and agriculture. European funds have been especially attracted to modernize farms, village renewal, creation of micro – enterprises and event the establishment of boarding houses.

The evidence for the success of consultancy companies makes and the capacity of the consultant to achieve European project. A good consultant for implementing the European Projects must have important knowledge in economic, financial, marketing, management and agriculture fields. In addition, the consultant in implementing the European funds must demonstrate to the customer of coordination capacity and strategic planning. It is an activity that requires enhanced knowledge.

#### **E. CONSULTANCY IN FISCAL FIELD**

The company naturally faces, in all moments of its existence, with fiscal problems. The taxation is a variable that can influence the economic policy of the enterprise and may

contribute at the correct orientation of the future economic decisions. In the conditions in which the enterprise is confronted with a disproportionate tax burden, it is necessary that the problems of fiscal nature to be resolved so that the negative influences to be minimal.

Management of taxation, has a particular importance, through correct assessment and exactly determination of the tax liabilities, so that to ensure the minimization of fiscal cost by avoiding penalties and fiscal penalties that can be devastating for any company and the in post crisis period.

The role of consultancy offered by the professional accountant is to:

- choosing the optimal economic alternative to help to reduce the adverse influence of tax burden;
- assessment of the fiscal impact on the outcome by knowing the fiscal facilities that can benefit (tax exemptions, postponements, rescheduling) but also of the sanction of a fiscal nature;
- an analysis of the expenditure related to fiscal liabilities (share in turnover, share in total operating expenditure) elements that normally must be considered for developing a business plan.
- the professional accountant should always, be with his client and to provide assistance during tax audits in order not to leave it at the discretion of inland revenue. Due to the complexity of tax law and its unstable character is unlikely to not be wrong.

As a result of some ambiguous contradictory regulations, legislative changed repeated with reference to a whole range of regulations, the taxpayers are confused and unintentionally may use tax evasion.

Tax consultancy is, therefore particularly useful in the managerial process of the enterprise, contributing to the adoption of the economic decision that to influence the consolidation of the company's financial statements.

In current conditions, when the resources remain constant or have the decreasing trend, the consultancy granted by the professional accountant, has an important role in preventing and combating tax evasion.

## **F. CONSULTANCY FOR BUSINESS RESTRUCTURING**

In a crisis, the restructuring become almost inevitable in many sectors of activity. Although there aren't the happiest movement of the ownership, restructuring are needed to reduce costs and to streamline the operations.

Internal restructuring of the company, business reorganization, fusion with other companies of profile or selling the business are solutions identified as appropriate solutions for any enterprise in a difficult period. Internal restructuring are intended to reshape the legal power within a group, in order to change the internal organization and to face the imperatives of enterprise's development.

Instead, the business reorganization considered rethinking the interactions with the market, with the purpose of efficient exploitation of commercial relations, in conjunction with a better management of enterprise's resources.

The fusion is done primarily, for reasons of optimizing the operating costs, but also to strengthen the portfolio of customers, which is made by realizing a new positive synergies oriented towards the new business.

## **CONCLUSIONS**

In conclusion, the guarantee of the public concerning the quality and reliability of professional accountants should be based on a high professionalism proved through professional competence and conduct behavior.

The professional accountant benefits by the institutional trust derived from the position of member of a professional body, which ensured continuing professional development, as well as the application of some professional standards in activity such as respecting the ethic code.

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