

The Role of Accounting and Accounting Law in Establishing Public Economic Policies in the Post-crisis Period

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Abstract. *The following issues are being adressed in this paper: the relationship of accounting and accounting law with the local economy, the relationship of accounting and accounting law with macroeconomics, establishing public policies for certain categories of enterprises based on information provided by accounting and accounting law, the relationship of accounting and accounting law with macroeconomics foresight and forecast, the relationship of accounting and accounting law with the labor economy, the impact the wage regulations has on public economic policies under firm ownership change.*

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1. Introduction

In most studies on overcoming the crisis, information mainly from macroeconomics is being used. Public policies are increasingly showing deficit due to lack of relevant information from the basic level of the company. At the same time microeconomics has basically evolved separately from the macroeconomics issues. Due to increased demands of managers and employers, accounting has evolved a lot lately and can provide useful information to ensure more performance for public policies. Accounting also generated a system of legal institutions that formed the accounting law, very helpful in understanding the correlations between the company's economy and other parts of the national or even global economy. This paper aims to draw attention to the information correlation between accounting and accounting law, on one side, and all the segments of the economic science directly involved in establishing economic policy, on the other side. The methods for public policies will be improved and accounting will receive new functions.

Any policy and any project achieves its objectives only if taking into account the real state reached, the exact coordinates of the starting point. The first objective of the economic growth policy is to establish long term development targets (Angelescu et al., 2009, p. 34). Accounting and accounting law gives us accurate information on the economic situation of companies, major funders of public policy and, in the same time, information on the main agents on which the implementation of public policies is dependent. The accounting information system is the most complete and accurate information tool available to society at the beginning of the XXI century. Based on it even data of public interest regarding corporate activity can be obtained. Without taking into account information from the accounting system, public policies will lose realism, which primarily means the risk of an efficiency level below expectations. A lower efficiency will mean fewer resources allocated for economic recovery.

2. The accounting and accounting law relationship with the local economy

The sources of data from the accounting of firms for the local economy are: the financial statements of companies with the activity centered at the head office and the accounting reports on secondary offices with relevant value. Because the most common types of secondary offices are workstations, the attention of the local economy is on the information on the workstations with significant activity in a given locality, a county, a development region. It is useful for the local economy for data to be processed either directly from the

accounting firms that operate effectively in a certain area (city, county or development region), or based on a representative sample.

Local public policies will take into account the work interests of companies with headquarters and the core activity in the area within range, but also the activity of secondary offices located in other areas.

The local economy can benefit from the following mandatory data according to the accounting law and the related legislation for the secondary offices (Table 1).

Table 1

Information available for local economy

Nr. crt.	Accounting and commercial law	Information available	Use for local economy
0	1	2	3
1	The existence of a secondary office must be registered with the Trade Registry and Financial Administration	The existence of secondary office	The Trade Registry database supports processing for the usefulness of the local economy
2	The significance threshold of the secondary offices in terms of the number of employees	The informational system includes secondary offices and the number of employees	They do reports and discounts separate from the headquarters for income tax and social contributions
3	The segment reporting requirement is stipulated in international accounting law, including geographical segments	Turn over, profit and loss, assets, number of employees, total salaries, average salary on every segment	Development of local economy
4	Cost management requires that when a secondary office has a relevant position, cost calculation of that secondary office must be held	All kind of costs of the company computed for head office	Forecasting for development or closing

This data required under the accounting law and related legislation represents the main bases that allow us to have a set of information available to the local economy.

There are a number of limitations of the accounting information system of firms in terms of usefulness to the local economy:

- a) According to EU rules the VAT code belongs to the legal person; therefore, since starting with the accession date, no secondary office can be registered in any country for VAT purposes; reports for VAT had so a small relevance;
- b) The tax discount system – the vast majority will be settled at the head office; so it can not be computed the contribution of secondary offices to public budget;

- c) focusing the signing of the contracts at the head office and the limited commercial competence of the secondary offices.

3. The accounting and accounting law relationship with macroeconomics

A lasting way out of the crisis and the avoidance of a new recession cycle involves, first of all, focusing efforts towards efficiency and waste elimination. Such an approach requires above all a system of indicators that can be tested. Firms accounting can do more than just test or validate the information available for public policies in national statistics. The capitalization of companies available data under their strict interpretation in terms of international accounting law allows, in many cases, the correction and completion of some macro-economic indicators. The most intense signals were regarding the imperfections of the Gross Domestic Product in terms of money supply expansion (Huerta de Soto, 2010, p. 430).

There are approaches that shape the relationship between enterprises and macroeconomics as a part (element) – whole (system) relationship; from this point of view, macroeconomics could be regarded as the sum of activities at the enterprise level. The image of processes of the national economy could be achieved by adding data from companies' accounting. The accounting and fiscal management of secondary offices leads to changes of the real economy and monetary flows in the territory. Accounting information is already collected and bookkept in accordance with the rules of international accounting law. The public policy at group level in relation to national affiliates and to consolidation operations (accounting and fiscal) needs to answer questions like:

- who benefits from the activity of an entity in particular in the case of foreign direct investments
- who should support an entity in difficulty during an economic crisis like the one initiated in 2008.

Interference between accounting and accounting law with the macroeconomics is achieved on Table 2.

Table 2

Interference between accounting and accounting law with the macroeconomics

Nr. crt.	Level of interference between accounting and accounting law with the macroeconomics	Informations available from accounting
0	1	2
1	Reporting public statistics and for the decision-making at macroeconomics level	The use of complex data processing systems to retrieve from firms' accounting information system the necessary data for reporting public statistics and for the decision-making at macroeconomics level

2	Public policies regarding environment matters in the information system	The use of information from accounting to transpose the requirements of public policies regarding environmental matters in the information system
3	Calculate the cost of labor	The use of accounting data to calculate the cost of labor, an important parameter of the macroeconomics policies any fiscal decision on macroeconomic level is better if is after computation on fiscal costs
4	Calculate cost of living	Taking the necessary data at firm level in order to calculate the cost of living
5	e-government	the administration and management of transactions tailored to the e-government project
6	Macroeconomic cycles	The evolution and trends of investments of the companies are depending of macroeconomic cycles

The correlation between the accounting information system and the information needs for macroeconomics decision making is materialized among others by:

- the use of complex data processing systems to retrieve from firms' accounting information system the necessary data for reporting public statistics and for the decision-making at macroeconomics level;
- the use of information from accounting to transpose the requirements of public policies regarding environmental matters in the information system;
- the use of accounting data to calculate the cost of labor, an important parameter of the macroeconomics policies;
- taking the necessary data at firm level in order to calculate the cost of living;
- verification using information accounting of the manner of compliance regarding sustainable development policies and industry structures;
- the administration and management of transactions tailored to the e-government project.

4. Establishing public policies for certain categories of enterprises based on information provided by accounting and accounting law

With the help of accounting law instruments we can concretely identify the size of local, regional and international dimension of the firms' activity. Usually, according to data from the firms' accounting, who primarily benefits from the activity of multi-national companies is the host country and subsidiary the firm's country of origin.

Indicators for the impact of branches on host are presented in Table 3.

Table 3

The impact of branches on host		
Nr. crt.	Indicator from accounting of the company	Impact on host economy
0	1	2
1	Profit	If exist tax on profit increase incomes of the budget
2	Number of employees	Fight agains unemployment
3	The payroll	Budget incomes

During the current crisis the following question was put: Who should support an entity in need? The options for responding to this question are: the state where the company operates or the state from where the company comes from. According to economic criteria, support should be given in the proportion the two countries benefit under the condition that the support should be used for the economic activity, not for redistribution within the group. The accounting law has the following tools to answer these questions:

- a) the account indicators of benefits in the host country or in the country of origin;
- b) the calculation of the redistributed value within groups parceled out on source groups and recipients.

In the context of the present financial crisis, the CEE countries exposure to the internalization of the financial flows becomes a key macroeconomic volatility driver, especially from the perspective of dependence of the foreign financing lines (Morar et al., 2011). From this point of view only the information from the balance sheet of the companies are relevant for public policies.

5. The accounting and accounting law relationship with the macroeconomics foresight and forecast

The accounting and accounting law relationship with the macroeconomics foresight and the forecast is based on the following aspects:

- the economic conjuncture;
- the economic cycle;
- the analysis of accounting data based on the inflation factor;
- handling data of the firms' accounting that is used for forecasts or examinations regarding the economic conjuncture.

Interpretation of the accounting data includes considering and adjusting the economic situation in the national economy.

It tries to make the data comparable by referring to the price system, market and resources development.

In the economic conjuncture criteria, calculations are being made at the sectoral level and also relying on the structure of the elements (price, sales, costs, etc.) for adjusting the data in the field of analysis.

Data from the firms' accounting can provide information on the correlation's intensity between macroeconomics policies on the parameters of the reference interest rate or the official exchange rate of the national currency and the turnover's evolution speed or other indicators relevant to the business cycle. Data can be collected from a representative sample of economic agents from different sectors of activity regarding the cost of financing and the cost of exchange differences. The monetary interest rate policy of the central bank and the developments of the exchange rate of the national currency is then put in relation with the indicators of business cycle from the firms' accounting. If there is a strong correlation, it means that orthodox macroeconomics policies are validated in the national economic space for those activities. On the contrary, a mild or negative correlation between the two factors means that the economic environment does not respond to orthodox macroeconomics policies, and other instruments of action are to be identified.

Financial and accounting data analysis based on the inflation factor is a direct application of the correlation between the macroeconomics conjuncture and the accounting law. Note that a particular standard is applicable for firms' accounting in inflationary economic environments. This can radically alter the results of the analysis to firms that work with small business margins.

There are situations where data from firms' accounting is processed to estimate the future economic conjuncture climate. For this type of economic research, special statistic surveys are being used. In this case the accounting data will be adapted and adjusted to the specific branch from which the company has been the subject of investigation.

6. The accounting and accounting law relationship with the labor economy

The accounting and accounting law relationship with the labor economy include:

- determining the content of the reports to the union;
- the correlation between the standards system and the economic performance indicators;
- cost accounting policies for work security;
- the correlations between the work indicators and the payroll indicators;
- the elasticity of wages comparing to the level of activity (turnover, production value, etc.) in terms of expansion/restructuring/recession;

- the identification of the correlation parameters of the wage level at the firms subject to processes of acquisition, merger, asset sale (“sale per piece”);
- the correlations between corporate accounting law and statutory internal documents regarding work relations;
- the correlation between the firm's accounting policy and the occupational safety.

One of the complexities of the economy in which accounting and accounting law can make a significant contribution is the correlation of the employment and wage indicators. The contribution of accounting takes into consideration the following:

- the calculation of the elasticity of wages is required for changing the workload in different phases of the economic activity; the wages are rigid under European legislation to the reduction of the workload and have a faster growth trend during the ascension.
- evaluating the impact of the fiscal system in the firms accounting on the elasticity of wages to the tax system workload changes in different phases of the economic activity. Note that in the global tax system the increase in workload, using the same number of staff determines the increases of the wage ration in the turnover. Instead, in the flat tax system wages remain directly proportional to the workload, on the occasional changes, using the same number of personnel or a different number. For this reason it is risky for the employer in the global system to negotiate the net salary because he doesn't know what other activities the employee has, activities which determines the alteration of the owed income tax. Instead, in the flat tax system the income tax is the final tax.
- the accounting law helps clarify the faster wage growth than the volume of activity (data centralized at national level in the ascension and restructuring periods); during the ascension period with restructuring (2005 – 2008 for Romania) wages have grown faster than the total volume of activity (data supplied at national level) because of the supraunitary coefficients imposed by:
 - inflation;
 - transfer from material consumption to wages (the added value increases);
 - additional pressure on the labor market;
 - the activities complexity increases;
 - the explanation of wage rigidity.

Wages are inflexible to the reduction of activity under conditions of crisis and recession due to the following factors:

- the minimum wage set by the state through government decision;
- the form of payroll;
- the mechanisms for collective wage bargaining;
- significant restructuring costs of firms.

Accounting can provide information to calculate an optimal threshold for the loss of personnel wages under which it is feasible to initiate restructuring proceedings.

It is very important the impact on the public economic policies in case of change in company ownership.

The financial flows and the gross salary of the employees before and after the merger or separations are mainly relevant for public policies. The cash flow statements and the reports from payroll system have enough information both for accounting and government decision in this case.

If the case of an entity liquidated by assets also called sale of assets, the object of activity is gone. Usually in such cases most of the staff lose their jobs. For the local economy is very important to know the total gross salary after the change of the shareholders compared to the previous level. The net salary of the staff, a component of gross wage, is a maintenance source of the commercial activities and local services. In turn, the economic activities of any kind allow a flow of cash to the local budget. The analysis in terms of local interest for any project that involves changing employers will have to take account of the developments of the total gross wages. In several categories of projects in Romania that would interfere with the business ownership in enterprises with a decisive share for the local economy the debate has not focused on this criteria (total gross wages), which moved the debate to difficult to measure criteria and whose impact on the local economy had a questionable intensity.

Conclusions

In the post-crisis period a significant improvement in public policies is required so that they can use the information supplied by the accounting and the accounting law to greater extent. The idea that information is power is accepted. For this reason you may need to take greater account of the relationship of the accounting information and accounting law with the local economy, macroeconomics. We proposed that in every kind of project of economic and public interest the total gross wage or incomes dynamics criterion to be preserved.

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