

THE NECESSITY OF ACCOUNTING INFORMATION IN THE MANAGEMENT OF THE COMMUNITARIAN SERVICES OF PUBLIC UTILITIES

DOREL MATEȘ, GHEORGHE CLAUDIU FEIES *

ABSTRACT: *We presented in this work the way in which the information furnished by the financial-accounting information system is used in the decision making process of the management of the operators of communitarian services from public utilities. Also, the implications of the accounting information in the planning and accomplishing the investments within the infrastructure necessary for the services of public utilities are presented. The financial-accounting information is created with the purpose of answering the requests of the management to fundament the decisions but also to satisfy the information needs of the other external or internal users. Regarding this, the financial-accounting information specific for the operators from the system of communitarian services of public utilities is presented and also the qualitative characteristics and the way the accounting information is gathered in order for it to have real value for planning, control and decision making. Also, are presented the situations with financial and performance indicators that are requested by ANRSC in order for the services of public utilities to be licensed, indicators calculated with the help of the data received from the financial situations.*

KEY WORDS: *accounting information; communitarian services of public utilities services; financial-accounting information system*

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1. INTRODUCTION

In the process of decision making of the operators of communitarian services of public utilities we are interested in the technical and economical information. The latter are very important for the accounting. In this category we can include the accounting information. This is usual by its methods, procedures and instruments of economical data processing. It is the most real, precise, complete and operational

* Prof., Ph.D., West University of Timisoara, Romania, mates.dorel@yahoo.com
Manager at Termo-construct S.A. Sebis, Arad county, Romania, feiesclaudiu@yahoo.com

information because it represents the support of the managerial process, a large part of the decisions that are taken in the process of management of public services have as background the information obtained from the accounting.

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 economical information: searching for private information that are not available to the public; analysis, processing and interpretation of information with the purpose of prevision (predictive analysis); analysis of the past performances (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.

The accounting information has the quality of being credible when it doesn't contain significant errors, is not partial, and the users can trust that it represents correctly what it has proposed to represent or what it is expected to represent. In order for the information to represent in a credible way the events and the transactions it is necessary that they are accounted and presented in accordance with their background and the economical reality and not only with their juridical form. The accounting information has to be neutral, without influences and to represent with fidelity the events and the transactions.

2. THE INFORMATION AND ITS CIRCUIT IN THE FINANCIAL ACCOUNTING SYSTEM OF THE OPERATORS OF COMMUNITARIAN SERVICES OF PUBLIC UTILITIES

Before presenting the way of the accounting information from its collecting, processing and until the final users, we have to specify that in Romania the operators of communitarian services of public utilities, in conformity with the law 51/2006 are organized in private companies with state capital, private or mixed, or in the specialty department of the mayor or in the specialty services of the local or county councils. Thus, their management can be direct, in the county or local councils, or delegated by giving their management by public auction to the private companies licensed by ANRSC.

In the context of the contemporary evolutions of the activities of the public utilities services, the development of the market economy, the increase of its complexity determined a correspondent evolution of the economical-financial information. This type of information characterizes the situation of the patrimony of the operators, the results of the economical-financial activity, the way of utilization of

the material and human resources, for its own needs and for the third parties (shareholders, clients, banks, fiscal organs, other physical or juridical persons).

The informational financial-accounting system represents an organized ensemble of complex information that are obtained by processing the data furnished by some sources and that are necessary for organizing, managing and developing the economical activity. The importance of such a system comes from the idea that it assures the knowledge in any moments about the status and functioning of the economical entities in general, offering information about the way in which the resources are used, about the existence of some deficiencies and the need to analyze them. For the operators of communitarian public utilities services the accounting information that can be used in the process of planning and organizing of the activity for the proper management of the specific activities is important and also the information that is useful for adopting or not the decisions regarding the investments of machines or distribution networks.

A problem of the financial-accounting system is given by the set of financial situations that has to be intelligible and transparent although 4 of the 5 components of the financial situations are flooded with information with the form of numbers that can create difficulties in their interpretation from the users that don't have minimum economical knowledge (Morariu, 2008). The resolution is given by the IFAC by explicative notes and accounting politics. It is an economical problem, with deep knowledge for applying IFRS, with professional reasoning of the professional accountant in the art of transforming the numbers in coherent, simple, relevant explanations so that reading these situations by any user could help him make good economical decisions.

In the case of the operators of public services, the decision factors are represented by members of the administration council, in the case of the services organized in the specialty departments of the local councils or of the mayor, are represented by the administrators and shareholders of the private companies that manage the public services. Also the financial-accounting information of these operators is used by the institutions of credit or by the institutions of settlement of the state, as ANRE, ANRSC etc.

Referring to the institutions of settlement of the communitarian public utilities services, we can say that the accounting information is essential in their activity. This fact results from the establishing and approval of the rates of the services accomplished by the operators on the basis of the accountant information. This has to be centralized in the file of foundation and in the structured on elements of expenses, drawn up in conformity with the processed data from the accounting balance and from the profit and losses account from the last three years.

An example regarding the utilization of the information as data furnished by the financial-accounting system of the public utilities services is that of Termo-construct SA Sebis, the operator manages the micro area system of capture, treating and distribution of drinkable water. The managers decided to increase the price of drinkable water after the financial and economical analysis. This decision has to receive the approval of ANRSC in order to be approved by the Local Council.

Regarding this the following situations requested in conformity the present regulations were considered:

Table 1. Foundation list

Specification	M.U.	Value 2009	Value Dec.2009	Value Ian 2010	Value Feb 2010	Total
0	1	2	3	4	5	6
A. Purchased rough water	Thousands of steres	527,68	41,20	39,30	35,60	116,10
B. Delivered water:	Thousands of steres	405,70	32,58	12,78	31,37	76,73
-population	Thousands of steres	272,17	24,01	8,56	23,86	56,43
-other consumers	Thousands of steres	133,53	8,57	4,22	7,51	20,30
-losses of water in the system	% Thousands of steres	30,07%	26,46%	207,52	13,49	51,31
C. Consumed energy	total Mwh	465,59	31,27	35,07	41,68	108,02
D Number of employees	Personal no.	336	23	22	22	67
E. Average revenue/employee	lei	977	834	931	955	905
1. Different expenses:		267,28	18,99	21,89	24,11	64,99
-rough water, quantity price		27,21	2,18	2,13	1,75	6,06
-losses of water in the system		6,52	0,46	1,44	0,38	2,28
-electric energy, quantity price		195,76	13,63	15,73	19,51	48,87
-treating the water		20,36	1,70	1,69	1,60	4,99
-technological materials						
-other specific material expenses 60281		17,43	1,02	0,90	0,87	2,79
2. Fixed expenses of which:		663,35	42,00	40,66	45,36	128,02
a) material expenses:		242,45	17,43	14,50	18,45	50,38
-materials		94,29	3,13	3,64	3,80	10,57
-electric energy, quantity price						
-expenses with environment protection						
-annual attenuation	Thousands of lei	33,51	3	3	3	9
- annual royalty		16,30	2	2	2	6
-reparations in the production					1,99	1,99
-reparations with third parties		5,85				
-studies and researches		4,76	0,91		0,37	1,28
-other services made by third parties:						
-collaborators		0,75	0,45			0,45
-commissions and payments		5,33	0,38	0,28	0,28	0,94
-protocol, advertising, publicity		0,44	0,20			0,20

-telecommunications mail		6,63	0,92	0,54	0,59	2,05
-other material expenses		74,59	6,44	5,04	6,42	17,90
b)expenses with the employees, of which:		420,90	24,57	26,16	26,91	77,64
-salaries		328,32	19,19	20,48	21,02	60,69
-Health Insurance 20,8 %		68,29	4,00	4,26	4,38	12,64
-unemployment benefit 0,5%		1,65	0,10	0,11	0,11	0,32
-FNAS 5,20 %		18,06	1,00	1,07	1,10	3,17
-accidents and professional diseases 0,279 %		0,97	0,06	0,06	0,06	0,18
-CCIASS 0,85 %		2,79	0,17	0,18	0,18	0,53
-guarantee of salary receivable 0,25%		0,82	0,05	0,06	0,06	0,17
-other expenses						
c)Financial expenses						
I. Total expenses (1+2)		930,63	60,99	62,55	69,47	193,01
II. Profit x 10%		93,07	6,10	6,26	6,95	19,31
III. Development quota						
IV. Fund II D						
V. Revenue obtained from production, transport, water distribution (I+II+III+IV)	lei	1.023,70	67,09	68,81	76,42	212,32
VI. Delivered quantity, including consumption	Thousands of steres	405,70				76,73
VII. Unitary price (V:VI)	Lei/stere	2,52				2,76

Table 2. Structure on elements of expenses

Specification	M.U.	In the previous period 2009	Previous foundation		Proposed		
			Total Dec.09 Feb.10	Unitary	Total	Total Increases -lei-	Unitary
0	1	2	3	4	5	6	7
A. Purchased rough water	Thousands of steres	527,68	116,10		545,00	428,90	
B. Delivered water:	Thousands of steres	405,70	76,73		425,00	348,27	
-population	Thousands of steres	272,17	56,43		286,00	229,57	
-other consumers	Thousands of steres	133,53	20,30		139,00	118,70	
-losses of water in the system	% Thousands of steres	30,07%	51,31%		28,24 %		
C. Consumed energy	total Mwh	465,59	108,02		488,00	379,98	
D Number of employees	Personal no.	336	67		340		
E. Average revenue/employee	lei	977	905		1014		
I. Different expenses:		267,28	64,99		280,00	215,01	

-rough water, quantity price		27,21	6,06		29,00	22,94	
-losses of water in the system		6,52	2,28		7,00	4,72	
-electric energy, quantity price		195,76	48,87		200,00	151,13	
-treating the water		20,36	4,99		25,00	20,01	
-technological materials							
-other specific material expenses		17,43	2,79		19,00	16,21	
2. Fixed expenses of which:		663,35	128,02		720,00	591,98	
a) material expenses:		242,45	50,38		279,00	228,62	
-materials		94,29	10,57		99,00	88,43	
-electric energy, quantity price							
-expenses with environment protection					5,00	5,00	
-annual attenuation		33,51	9		34,00	25,00	
- annual royalty		16,30	6		16,30	10,30	
-repairs in the production			1,99		6,00	4,01	
-repairs with third parties		5,85			9,00	9,00	
-studies and researches		4,76	1,28		8,00	6,72	
-other services made by third parties:							
-collaborators		0,75	0,45		5,00	4,55	
-commissions and payments		5,33	0,94		8,00	7,06	
-protocol, advertising, publicity		0,44	0,20		1,00	0,80	
- telecommunications mail		6,63	2,05		7,00	4,95	
-other material expenses		74,59	17,90		80,70	62,80	
b)expenses with the employees, of which:		420,90	77,64		441	363,36	
-salaries		328,32	60,69		345	284,31	
-Health Insurance 20,8 %		68,29	12,64		70	57,36	
-unemployment benefit 0,5 %		1,65	0,32		2	1,68	
-FNAS 5,20 %		18,06	3,17		19	15,83	
-accidents and professional diseases 0,279 %		0,97	0,18		1	0,82	
-CCIASS 0,85 %		2,79	0,53		3	2,47	

-guarantee of salary receivable 0,25%		0,82	0,17		1,00	0,83	
-other service expenses							
c) Financial expenses							
I. Total expenses (1+2)		930,63	193,01		1000	806,99	
II. Profit x 10%		93,07	19,31		100	80,69	
III. Development quota							
IV. Fund II D							
V. Revenue obtained from production, transport, water distribution (I+II+III+IV)	Lei	1.023,7	212,32		1.100	887,68	
VI. Delivered quantity, including consumption	Thousands of steres	405,70	76,73		425	348,27	
VII. Unitary price (V:VI)	Lei/mc	2,52	2,76		2,59		

The price of 2,76 lei/stere is calculated using the data from the last months, which by chance are months in winter, a period when the water consumption is small resulting in larger costs per stere of water produced and distributed. Thus the price for which it will be requested the favourable notice is 2.59 lei/stere.

These two situations presented are analysed by ANRSC together with a technical memoir drawn up by the technical department of the local operator and on the basis of these documents there will be a notice issued by the specialty commission.

We can draw the conclusion thus that the financial-accounting system of the operators of communitarian public utilities services has an essential role in furnishing the informational basis in order to establish the prices depending on the registered costs. The result is the influence on the accomplishing the revenue because a greater price if it is supported by the beneficiaries it leads to a greater business profit at the same quality and quantity of the public services.

3. THE ECONOMIC-FINANCIAL AND PERFORMANCE INDICATORS THAT ARE THE BASIS OF THE APPROVAL OF LICENSE OF OPERATING FOR THE COMMUNITARIAN PUBLIC UTILITIES SERVICES

In conformity with the Decision of the government no. 745/2007, the operators of communitarian public utilities services have to accomplish some technical, financial and of performance requests in order to obtain the operation license. The background of these requests is the processing of the financial-accounting information through some financial and performance indicators (Isac C., et al., 2009). Thus, using the financial situations of juridical persons that request the licence the following financial-economical indicators are calculated: exploitation revenues, results of the exploitation, dues, dues to the consolidated budget, receivables.

Giving as an example Termo-construct S.R.L., this company which tried to increase the price of drinkable water as we have shown before, presented the following

situation in conformity with the annex no. 7 from the Government decision 745/2007 in order to receive the license 3rd class for the cleaning service.

Table 3.

No.	Indicator		Value					
			Year					
			2007		2008		2009	
		I	II	I	II	I	II	
1.	Revenue from exploitation		102.522	104.354	109.412	112.081	177.073	205.296
2.	Result from exploitation	Profit	12.261	5.696	2.852	6.787	10.859	60.882
		Loss						
3.	Dues	Present	17.475	20.010	14.845	17.410	12.320	10.403
		Residual	2.500	1.250	2.540	3.920	—	—
4.	Dues to the budget	Present	15.322	14.350	13.750	15.300	8.423	8.777
		Residual	10.500	11.008	8.755	9.238		
5.	Receivables	Present	65.400	50.301	48.750	58.506	41.826	49.080
		Residual	6.023	8.100	11.003	14.516	22.814	18.512

Beside this situation, ANRSC will analyse the performance indicators for the service for which the license is requested. We mention that the operator develops activities specific to the cleaning service for which it has an expired license and it is requested its renewal. Thus, we have the following indicators:

Table 4. Indicators regarding the financial performance

No.	Denomination of the indicator	Calculation formula	Calculation of indicators	31.12.2009
	PRODUCTIVITY RATE			
1.	Rate of the revenue on the employee revenue	Profit of exploitation x 100	266.635 x 100	51,39
		Capital employee	518.894	
2.	Rate of utilization of the assets	Sold production x 100	1.658.143x100	456,70
		Operational assets	363.074	
3.	Rate of profit	Rough profit x 100	266.635x100	16,07
		Turnover	1.658.781	

B. Indicators regarding the financial capacity of the company, at the date of 31.12.2009

TOTAL OF CIRCULATED ASSETS: 363.074

Of which:

1.1. stocks 14.058
 1.2. receivables 304.078
 1.3. home and bank 44.938

TOTAL OF DUES: 390.245

Of which:

2.1. Sums of money that have to be paid for up to an year: 141.919
 2.2. Sums of money that have to be paid over a year: 248.326

TOTAL OF CAPITAL:	518.894
Of which:	
3.1. Subscribed capital paid	239.011
3.2. Reserves from re-evaluation	70.095
3.3. Reserves	21.679
3.4. Reported losses	- 29.372
3.5. Profit	230.413
3.6. Allocation of profit	-12.932

After analysing these indicators and the accomplishing of the other requests regarding the technical, managerial and economical ability by efficient management of the cleaning service the operating license will be given to the operator.

The purpose of the accounting information in adopting the decisions related to the investment projects that try to improve the quality of the public utilities services and their development in order to increase the number of beneficiaries.

Any project of development has at its base an economical dimension. Although in the field of public utilities services it is tried to accomplish the objective of increasing of the quality and the development, there is the problem of economical and financial profit. Thus, the financial-accounting information has an essential role in quantifying the method of accomplishment of the investment projects and the final profit of them.

Also, the obtaining of the reimbursable or non reimbursable finance respectively from the credit institutions or European funds is accomplished by providing the financial information of solvability of the operator and of financial profit of the project that need financing.

The financial-accounting information has to be made of data that have been processed in a useful form for the receiver and which have a real value for control, planning or decision making in investments.

In the case of requesting the credits in order to cover the needs of financing the investments, the financial creditors are interested in the information that allow them to determine that the loans and the interests will be reimbursed at the time limit. Also, in the case of non-reimbursable sources of financing the economical and financial profit of the project and its contribution to the improvement of the quality of the services accomplished for the beneficiaries has to be proved.

The accounting information will be deliver the data necessary for the periodical evaluation of the accomplishment of the different stages of the investment projects, especially from the point of view of the respecting of the financial criteria and after the implementing they will be used by the management of the project in order to determine the degree in which the financial results and the quality results have been accomplished.

In conclusion, the financial-accounting system, by the information delivered to the management of the operators of public utilities services in order to be used in the decision making process, has a very important place in the management mechanism of any communitarian public utility service, be it as a private company, a specialty apparatus or department in the local or county councils. The financial health of these

operators is the background of the services and has an indirect influence on the quality of the peoples' lives, institutions and economical institutions of a community or region.

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