

**BUCHAREST UNIVERSITY OF ECONOMIC STUDIES  
DOCTORAL SCHOOL OF ACCOUNTING**

**DEGREE THESIS**

**FINANCIAL REPORTING IN THE PUBLIC  
SECTOR AND BUSINESS ENVIRONMENT –  
CONTEMPORARY CHALLENGES**

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**FACULTY: ACCOUNTING AND MANAGEMENT INFORMATION  
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## SUMMARY

The degree thesis is an important step in consolidating the university career that I have built as a member of the community within the Bucharest University of Economic Studies. The two decades of involvement, effort, and study dedicated to access to the consecutive steps of teaching degrees but also to the fulfilment of the quality criteria required by the position of a member of a prestigious university community in our country can be found in the articles and books published as an author and coauthor, also in the research projects in which I participated. Although the research activity materialised in internationally recognized publications is an important component of the career, I have always paid special attention to my teaching activity, which I consider represents and recommends me as a professional in the field of education.

Throughout the more than twenty years of my career at the Bucharest University of Economic Studies, starting from the didactic degree of preparatory teacher and up to the present one, as a university associate professor, I have constantly tried to carry out an activity that is in agreement with research trends of the moment and, at the same time, to offer the students with whom I worked the maximum of my pedagogical and professional capabilities. To maintain an adequate quality of teaching and seminar work during all these years, I participated in training courses and kept in touch with the practical side so that I could provide students with skills according to the requirements of the labour market.

Among the subjects for which I gave lectures both at courses and at seminars are *credit institutions accounting, public sector accounting - in Romanian and English, Introduction to accounting, Fiscal homogenisation through IFRS, Accounting and fiscal management* - taught at various faculties from the Bucharest University of Economic Studies. The courses and seminars were held on the basis of theoretical and practical works in the development of which I participated, as well as course and seminar materials that helped to work with students under optimal conditions.

As to the research activity, I was coauthor of 6 articles indexed in Web of Science, I published numerous articles in journals indexed in international databases, and participated in international conferences. I was the author and coauthor of numerous specialized books in the fields that concern me, namely financial accounting, financial reporting according to IFRS, public sector accounting, etc. The research activity was also marked, in 2008, by the competition winning project no. 1779/2008 - IDEAS 2008 "*Romania facing a new challenge: accessing structural funds for sustainable development in agriculture. Convergence of the financial reporting of domestic entities to European realities*"

- the quality of project director, financed by CNCSIS, approved value of the project for the period 2009 - 2011 292,473.11 lei.

This research project proposed as scientific objectives the design of financial reporting models for domestic entities active in the agricultural field, thus meeting their needs related to the elaboration of economic-financial documentation in order to access post-accession European funds, as well as validating the proposed models through empirical research. To achieve the objectives of the research project, tools specific to certain disciplines were used, such as: Financial reporting, managerial accounting, Project management, statistics, structural funds management, Management of agricultural holding management, which gave it a high degree of interdisciplinarity. The results of the research carried out through this project were disseminated through the publication of articles and participation in national and international scientific conferences, but also through the development of materials in the form of practical guides and books published in accredited publishing houses and indexed in the WorldCat catalogue. Within the field of interest related to public sector accounting, I had the opportunity to participate as a member of the research team of two other projects:

- School of Advanced Studies. Accounting and financial sustainability in the public sector, having as identification data CNCS-UEFISCDI, PNCDI II-Programme IDEI/ Schools of Advanced Studies, code SSA-2012-2-010, contract no. 6835/2012, implementation period November 5-11, 2012, funding volume: 35,623.26 lei
- Convergence of public accounting in Romania to SICSP financed by the body of the accounting profession in Romania, contract no. 10294/27.06.2005, year 2005, Funding volume: 11,316.6693 lei.

Both projects represented an opportunity to deepen the challenges facing the public sector in Romania with the transition to a new accounting model. Recognition in the academic environment is demonstrated through the scientific activity carried out, according to the previously mentioned works, also certified by the Hirsch and Google Scholar indices and by the citations mentioned in the Verification Sheet, as well as by the activity carried out within the Faculty of Accounting and Management Informatics.

In the period 2005-2011 I was a member of the group of teaching staff responsible for obtaining ACCA accreditation for the 3-year undergraduate programme of the Faculty of Accounting and Management Information Systems within the Bucharest University of Economic Studies.

Also, between 2006 and 2011, I held the position of executive director of the international master's programme in English Business Accounting, organised within the Bucharest University of Economic Studies by the Faculty of Accounting and Management Information Systems. The Business Accounting master

programme provided complete preparation for the ACCA certification examination, the world's most important organisation of accounting professionals.

Also, in terms of the didactic activity, I participated in the guidance and evaluation committee and in the scientific seminars of the doctoral students, in the application of the faculty's strategy to develop partnerships with the economic-social environment, through the students' participation in the competitions organised by the companies operating in the field of Accounting, in the admissions committee for the master programme.

I contributed to the implementation of the strategy to increase the international visibility of the faculty and the university by publishing the work *The impairment of assets in public sector entities under the COVID-19 pandemic – the case of Romania*, chapter in the book *The impact of COVID-19 on accounting, business and education*, Ed. Wroclaw University of Economics and Business, 2021, pg. 41-51, ISBN 978-83-7695-882-8, authors *Ileana Cosmina Pitulice*, Aurelia Ștefănescu, as well as the implementation of the partnership development strategy university and faculty with the Court of Accounts of Romania according to the partnership agreement concluded between the Bucharest University of Economic Studies and the Court of Accounts of Romania, through the elaboration of the course support *Accounting for public procurement*, authors Aurelia Ștefănescu, *Cosmina Pitulice*. The course was dedicated to the seminar on the subject of *Peculiarities in the field of health, labour force, and social protection*, with applicability in the accounting of public institutions and public procurement, organized by Department V of the Court of Accounts of Romania and was sent to the participants. I also participated as a reviewer in the review of acceptance for publication of the articles received by the *Journal of Accounting and Management Information Systems*, JAMIS (*Journal of Accounting and Management Information Systems*).

The permanent concern for professional development also materialised in the participation in professional training courses completed with a diploma issued by the National Qualifications Authority. The skills acquired are those for the occupations: human resources manager, project manager and public procurement expert.

All these aspects are detailed in Part I of the degree thesis, with the detailed presentation of articles published in Web of Science and in international databases, books, and courses written in collaboration with colleagues from the Department of Accounting and Auditing within the Faculty of Accounting and Management Information Systems, but also with professionals from the business environment. I also presented research projects where I was a project director/member of the research team and which strengthened my mentoring and teamwork skills.

Part II of the degree thesis groups the representative articles for my research activity in two areas: the public sector and the private environment. The financial reporting of public institutions has particularly concerned me after the change in the accounting system since January 1, 2006 because this change has created countless challenges for accounting professionals in the public sector. We analysed these challenges in an empirical research with edifying results for the difficulties encountered by those who were directly addressed by the change. One of these results is that most accounting professionals over the age of 40, who are much more experienced, have a better understanding of the procedures they use compared to younger and less experienced respondents. From the point of view of the need for information, this group of professionals is distinguished by two different opinions, depending on their level of experience: a high level of experience claims the need for more legal instructions on the procedures for the preparation of financial statements, while a lower level of experience considers the current state of accounting provisions to be satisfactory. Young and inexperienced professionals believe that having an accounting monograph specific to the entity they work for is not mandatory, while older and experienced respondents claim specific accounting procedures or instructions. Young and inexperienced are often ask for the balance sheet (the cause may be a lack of trust on the part of managers), while advanced age and experience bring a relationship of trust with managers so that they never (or very rarely) review ) the balance sheet. Surprisingly and not necessarily favourably, regardless of age or experience, for accounting professionals, the most useful source of information and guidance for difficult situations remains colleagues from other public institutions.

Respondents, as professional accountants, suggested that CEOs of public sector entities should have more economic knowledge. They state that there are situations where accounting terminology and financial or economic procedures lead to difficulties in the decision-making process due to misunderstanding of the concepts.

Our research revealed difficulties in the implementation of the provisions of the legislation by accounting professionals due to several factors: the too frequent changes in the legislation, the small number of employees in the financial and accounting departments, and the insufficient training of the personnel involved in the financial and accounting activities of public sector entities. The study also revealed that young professionals in public sector entities want more freedom in accounting choices as they want to develop their professional skills instead of the routine work done at the moment.

One of the limitations of our research lies in the small number of questionnaires in the sample. Previous research experiences have shown that it is very difficult to obtain information from accounting professionals in the public sector by email or post, their reluctance to participate in these studies being related

to their daily workload, frequent changes in management structures, and of the behavior of not disseminating information within the entity.

Analyses related to this topic have been carried out and published as authors and co-author and in journals indexed in international databases, as mentioned in Part I of the degree thesis. Changing the perspective, another research published in a prestigious magazine aimed at the perception of future accounting professionals regarding the discipline of Public Sector Accounting, existing in the curriculum of the Faculty of Accounting and Management Information Systems within ASE Bucharest, in the third year of study, semester II. This research addressed a relatively narrow topic in the literature, considering the integrated relationship between the public administration sector, future accounting professionals, and university programmes.

The first objective of the research revealed that the decision of undergraduate students to be employed in public administration is determined by their opinion toward this field and by the orientation of the curriculum on the particularities of the public sector. Public administration management and the academic environment are fundamental for the creation and promotion of the motivational and professional framework so that future graduates are also orientated towards the public sector labour market. In this sense, the option for future graduates to work in public administration depends on the preponderance of subjects in the curricula of the study programme. 61% of all students prefer to work in the private or non-governmental sector, answers converging with the preponderance of courses in the study programme, respectively, those aimed at accounting for private companies.

The second objective of the study was to investigate whether undergraduate students' interest in Public Sector Accounting could be related to the time allocated in the study programme. 39% of students believe that not enough time is allocated to the subject and also that accounting recognition of transactions is more difficult than those specific to company accounting. Regarding the relationship between undergraduate students' choice of advanced public sector accounting courses and the usefulness of acquiring additional information, 60% of respondents believe that other subjects are needed in the curriculum, and only 10% of them will take advanced courses. The inclusion of the Public Sector Accounting subject in the second year of studies should also lead students to an undergraduate thesis with a theme in this area.

Regarding the third objective – the opinion of undergraduate students on the link between the competences provided by the study programmes and the demands of the labour market, the analysis reveals that the most important competences provided by the study programmes must be accounting ( both for companies and other entities), taxation and law.

The non-financial reporting of public institutions is a topic that I approached from the perspective of the public health system and the challenges it faces due to

the migration of medical personnel. Along with a questionnaire-based research having as respondents physicians of various specialities from public hospitals who expressed their opinion regarding the intention to migrate and the causes of migration from the medical system, the paper also proposes a non-financial reporting framework for hospitals that must thus correctly inform interested parties about the difficulties generated by the lack of sufficient staff for the provision of medical services.

The migration of health personnel (not only doctors but also nurses) is a global phenomenon that will never be able to be stopped for two reasons: There will always be developed nations and less developed nations, the former providing benefits that the latter cannot achieve in a reasonable time horizon, or perhaps never, and secondly, taking into account individual aspirations, there will always be doctors concerned with international development of their careers, or simply, doctors who want something more than what they get in his native country.

All countries of the world face, to some extent, the phenomenon of doctor migration. Globalisation, which generated a partial liberalisation of the labor market, led to the expansion of the phenomenon at the expense of developing countries. Romania is no exception to this rule.

The interview-based research revealed the dissatisfaction of doctors currently working in Romania, which turned into just as many arguments for the decision to emigrate. First on the pro-emigration list is the low salary compared to that offered by other countries, followed by the inadequacy or lack of facilities and the impossibility of adequate professional development. Most respondents consider the "brain drain" in the medical field to be increasing, but some of them estimate the phenomenon to decrease over time once developed countries have a saturated market for medical services. The consequences of the emigration of doctors generate a consensus of the majority of respondents: the overwork of existing physicians and the difficult access of patients to high-quality medical care (it is well known that there are hospitals in certain areas of the country that cannot complete with doctors all the specialities for which they are authorised to work). The emigration preferences of Romanian doctors are confirmed by the figures of the Organisation for Economic Cooperation and Development, among the preferred destinations being France, Germany, and the United Kingdom, where, in addition to substantial financial compensation and adequate facilities, doctors also expect a higher standard of living higher than in Romania.

The respondents noted that there is an imbalance between the cost of training and education of a doctor and the subsequent lack of benefits from the Romanian state when he chooses to emigrate. In support of this idea, the literature mentions the need for codes of professional ethics. Respondents also support the need for a framework to report international migration from the public health system in Romania. In this sense, our paper proposes a uniform framework for migration

reporting, which, through its coordinates, could substantiate in a transparent, reliable and timely manner the current and prospective decision-making process of hospitals and state authorities, on the one hand and on the other stakeholders, on the other hand.

Last but not least, we also addressed the perspective of auditing the performance of the public system through the lens of harmonising the national legislation issued by the Court of Accounts with international regulations. Performance audits are among the specific external public audit competences of the Supreme Audit Institutions (SAIs) of all 27 EU member states as an essential step for improving the performance of the public sector from the perspective of the "3Es" - economy, efficiency, effectiveness, and to ensure and assess resource management accountability.

Correlated with the importance of performance auditing in the public sector, the paper offers a broad perspective on it, investigating, on the one hand, the degree of harmonisation of national regulations on performance auditing with ISSAI (ISSAI 300 and ISSAI 3000), from the adoption and regulation of performance auditing as specific activity of the Romanian Court of Accounts and up to the time of the study (period 2009-2021) and, on the other hand, the degree of disclosure of information regarding the performance audit by the SAI of the EU member states through official websites.

The research results illustrate that Romania is following a process of convergence of its national regulations with ISSAI 300 and ISSAI 3000. Given that this is an ongoing process, we cannot currently claim full compliance, but rather harmonisation with ISSAI in terms regarding the transposition of the majority of significant provisions in the Romanian regulatory framework, adapted to the national context, all the more so as the content analysis of the two references often highlighted different ways of expression.

The degree of harmonisation research revealed an improvement in convergence over time between national performance audit regulations and INTOSAI standards (both ISSAI 300 and ISSAI 3000). Essentially, since the adoption of the performance audit in Romania, the degree of harmonisation with ISSAI has systematically improved in correlation with the successive revision of the national regulatory framework.

Regarding the second dimension of the investigation, although the results indicated variations in the disclosure of performance audit information among SAIs in different EU member states, the average disclosure index reflects a high degree of disclosure of performance audit information among SAIs belonging to the EU27.

The results obtained from the grouping of SAIs according to the year of the state's accession to the EU highlight the fact that the states that were part of the last stages of the EU enlargement disclose much more information specific to the performance audit compared to those that are already members. The research also



highlighted that in most cases, the English version of SAI websites provides little and sometimes outdated information compared to those in the language of the country of origin.

The research results also reveal the tendency of SAIs to present little information about their performance audit standards. The research highlighted two approaches used by SAIs, namely publishing INTOSAI (ISSAI) standards translated into their native language on the website or publishing their national standards in their native language.

Access to information on performance audit reports has proven difficult. However, for SAIs disclosing such information on their websites, we identified various practices, from publishing individual performance reports to aggregated performance reports on each audit topic or summary reports.

The main limitations of the research refer to a number of linguistic constraints, due to the fact that most websites provide detailed and exhaustive information only in the mother tongue, as well as the heterogeneity of the analysed websites, which present different information in different formats and for different time intervals. Other limitations of the research are related to manual data collection and processing and a certain degree of subjectivity of researchers when conducting content analysis, but this risk is inherent in this type of research.

In our view, it would be useful to establish express rules for the disclosure of performance audit-specific information within the EU, in order to mitigate the heterogeneous approach of the SAI in this area. We consider the research results to be relevant and useful both for the professional environment and for the interested parties from the socio-economic environment, concerned with the specifics of the public sector performance audit.

The second component of the research activity refers to financial reporting in the business environment. A first approach in this regard was the work dealing with the management of earnings under the conditions of the economic crisis. The global financial turmoil generated in 2008 and early 2009 led to an impressive crisis mainly generated by faulty financial intermediation, deficient or excessive regulation, etc., which caused deep micro- and macroeconomic imbalances.

The measures taken by the international standardisation body in the context of the economic crisis led to an increase in the quality of the accounting information needed to support users' decisions. However, some authors believe that changes in accounting standards created difficulties, deepening the crisis, because the widespread implementation of IFRS led to the modification of traditional accounting principles used for decades in different countries. On the contrary, others see IFRS as a chance to regain user trust in companies and financial institutions. International accounting standardisation does not aim to correct the unwanted effects of market mechanisms but to improve their functioning through better communication of financial information (Burlaud and Colasse, 2010).

Financial markets are based on trust, and trust is supported by the assumption that financial statements are accurate and reflect economic reality. Earnings management changes the quality of accounting information that can no longer be useful to participants in financial markets or other categories of decision makers. Analysing empirically the evolution of discretionary commitments before and during the recent economic crisis, the present study reveals the decline in earnings management during the economic crisis compared to the previous period.

The results of our study do not allow the entire decline in earnings management to be attributed solely to the economic crisis. There are other factors that could have influenced this decline: increased investor vigilance, new regulation from professional bodies, investigations by government institutions, etc. Converged with studies in the specialized literature, we concluded that the adoption of IFRS regulations and strong institutional mechanisms are prerequisites for reducing earnings management practices, thus increasing the reliability of accounting information.

The second research aimed at financial reporting in the business environment focusses on the banking system, which plays an important role in the modern economic world. The disclosure of accurate and meaningful information provides an important basis for the decisions of users of financial statements users. Investors, depositors, creditors, and other interested parties expect from a bank a rigorous discipline in the management of its activities, prudent and consistent with its stated objectives.

This research examines the factors that influence the level of IFRS 16 lease disclosures in the financial statements of banks operating in the Central and Eastern European (CEE) region. Specifically, we investigated the relationship between bank size, membership of an international banking group, audit firm, credit institution's stock exchange status, and country of operation, and level of IFRS 16 disclosure.

The study was carried out in two stages. First, we performed a content analysis of IFRS financial statements prepared by a sample of banks and developed and applied a disclosure checklist. The sample includes 43 banks operating in countries in the CEE region. Second, we analysed certain factors that may influence the disclosure of information on the leasing activities of CEE banks. The research hypotheses were tested by simple and multiple linear regressions. Findings from applying simple linear regression suggest that four of the five hypotheses tested are valid. The size of the bank classified by the value of its total assets, the audit firm, and the listing status of the bank have positive effects on the level of disclosure under IFRS 16, while the country variable has a negative effect. Simple linear regression based on subsidiary bank status in an international banking group did not generate statistically significant results. In the case of multiple linear regression, only one hypothesis was validated, namely that the level of information

disclosure according to IFRS 16 is influenced by the audit firm. However, given the small number of banks audited by audit firms other than Big4 (only four banks out of 43 analysed) and the low explanatory power of the model, we have come to the conclusion that none of the defined hypotheses can be validated by the model of multiple linear regression.

Our research contributes to the literature by using a content analysis and developing an IFRS 16 disclosure checklist that contains mandatory and voluntary disclosures (based on best practice) and covers a niche within studies that investigated the level of disclosures according to IFRS in banking. Banks and other financial institutions are usually excluded from the samples due to industry specificities, which is also the case for studies dealing with the application of IFRS.

Part III of the degree thesis aims at the future directions of academic development, both in the field of research and in teaching and professional prestige. Among the objectives that I propose, I have listed in the thesis: access to the position of university professor, access as a member of the Doctoral School of Accounting, the development of books and courses for the disciplines in my area of competence (Public Sector Accounting) and the development of new directions (sustainability reporting), publication of articles with increased visibility evidenced by a large number of citations, and guidance of doctoral theses of high scientific rigour.