

The Accounting Analysis as a Function of Accountability

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In the article considers the accounting analysis from a semantic point of view. It discusses its role and place in studying the economic facts and phenomena. It also discusses if it is possible to be considered as a separate branch of science. It reaches the conclusion that the analysis does not have its own subject of study.

Key words: Accounting analysis; Information base; Methods.

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1. Introduction

The semantic character of the concept of "analysis" connects with the concepts of division, separation, fragmentation. In this sense the researched object will be seen in the context of its component parts. Thus the inner nature of the object could be studied to determine the importance of each of its elements. If attention is focused on the analysis in a broader sense, it may be determined as means to study the activities of the reporting units so as to obtain knowledge¹, on the basis of the separating the whole into its component parts.

The analysis is different, depending on the subject matter of the research. However attention will be directed towards the economic, financial and accounting analysis and accounting analysis.

G. Vakliev believes that the economic analysis "studies business processes that take place in all unit parts of the economy (brigades, enterprises, companies and other units from the national economy), at all levels of the management (micro, meso and macro), which are located under the influence of objective and subjective factors which receive a reflection in the information system"².

For **D. Belev** "economic analysis represents a system of methods and instruments used for the assessment of the achieved results, for the disclosure of the factors influencing them and possibly for a quantitative measurement and the representation of this influence"³.

All authors determine that the information base for the economic analysis are the statistical accountability, the accounting, operational and technical accountability, plans (if planning indicators are developed), media of information for demographic and other studies, documents, in which objectives are reflected and etc.

However, where is the place of the accounting analysis?

2. Material and Methods:

In the first place, the accounting analysis cannot be carried out at the level of the industry or at a macro level. This is because when it is carried out, (as seen from its name) entirely and only accounting information is used. And it is created in the reporting unit, in our case the bank. Here comes the difference with economic analysis. The latter, as indicated, may be done at a macro level, meso level and microeconomic level.

Secondly, the sources of information for both analysis are different. With the economic analysis information of a different nature is used, while in the accounting analysis only the data from the current and the periodic reports is taken into account.

Thirdly, referring to the methods used, economic and accounting analysis use instruments, validated for other sciences, i.e. they do not have their own methods of the study.

¹ The idea of knowledge is best viewed by DRUCKER, Peter (2006). *Managing for the future*, translated from English Sofia, Klasika and style publishing house with an introduction pg. xiii. There he emphasizes the fact that knowledge is to "achieve the reality in its individual parts and in integrity, an opportunity and ability for getting knowledge of the things."

² Vakliev, Grigor, Chukov, K., Timchev, M. (1990) *The foundations of economic analysis of business*. Sofia, pg. 10

³ Belev, Dimitar. *Economic analysis, forecasting and planning in the enterprise*. Sofia, Forkom publ. house, 1998, pg. 10

Finally, both types of analysis study the ongoing economic facts, phenomena and processes in the institutions.

To conclude, it can be shown that the accounting analysis has a narrower scope or accounting analysis is an important component of the economic analysis.

Following the course of reasoning it is also necessary to specify what is understood by the concept of financial accounting analysis. It is defined as the "element of finance and accounting management, through which the property and financial situation of the bank is examined and evaluated and characterized and provides information for making managerial decisions." ⁴ G.Todorov considers this type of analysis also as a "targeted activity of selecting, comparing and evaluating the accounting information (underlined by me - P.D.) to the establish the essential links and relationships, the characteristic and unusual fluctuations and outlining the trends in the activities of the enterprise that are necessary for making managerial decisions." ⁵ Dinev expresses his opinion that the "financial- accounting analysis is a process of choice, comparison and assessment of the financial information." ⁶

The term financial accounting analysis was settled in the already cancelled NAS 13- Indicators for financial accounting analysis of the enterprise⁷. This concept referred to a "selection, comparison and evaluation of the accounting (underlined by me -P.D.) and other information in the process of management in order to examine the significant ratios and trends, unusual fluctuations and processes, to determine the directions of development, to measure the impact of the factors which justify them and to adopt the optimal management solutions." ⁸

These opinions allow you to outline a few basic emphasis:

- Financial - accounting analysis is a targeted human activity, where the

intermediate objective obtains some concrete results related to the actions of the reporting unit in the economic environment, an outline of the reasons for these results and the final goal is "making reasonable decisions by the various users of the information, which is analysed" ⁹.

- The analysis is connected to the comparison of the results obtained with those from prior periods or with those from other units, operating in the same industry.
- The analysis allows an evaluation of the results to be obtained.
- Referring to the information basis, the opinions are different. **G. Todorov** considers that only accounting data is used. While the other views show that financial information is used as well.

It could be pointed out that the information basis itself should be a starting point for receiving a specific name of the analysis. It will give the guideline for the determination of the name. But when the main information core is the accounting information, it is then necessary to talk about accounting analysis. For example, accounting data is the one providing information on such indicators as liquidity and solvency, which are of financial nature and when the financial situation is analysed. Which means that the carried out analysis for the financial situation is also accounting one. In some cases, when some financial information is used that is not "produced" from accounting it could be argued that financial analysis is carried out. Such is the analysis of the balance of payments of the country.

So a conclusion could be reached that the accounting analysis is a set of activities which use methods, based on practice, based on data from the periodic and current accounting, aiming to reveal the state of the institution, the results from its activity, to outline its strength of influence of

⁴ Stoyanov, St, Feshiyan, D.(2009) Financial - accounting analysis in banks. Sofia, UI "STOPANSTVO":.23

⁵ Todorov, Georgi.(2005) Financial - accounting analysis of the enterprise. Varna, Publ. Steno:7

⁶ Dinev, Dimitar, KRASTEV, Todor.(1993) Analysis of financial and accounting reports. Sofia:66

⁷ NATIONAL ACCOUNTANCY STANDARDS. NATIONAL CHART OF ACCOUNTS. COMMENT. ACCOUNTING LAW. (2001), Sofia, publ. Ciela

⁸ NATIONAL ACCOUNTANCY STANDARDS. NATIONAL CHART OF ACCOUNTS. COMMENT. ACCOUNTING LAW. extract.trud: 80

⁹ KOSTOVA, Nadia.(2010) Financial -accounting analysis. Varna: 8

the specific factors for achieving the objective - making efficient management decisions.

M. Dimitrov points the fact that the accounting analysis has significant qualities for the ruling. In particular they are¹⁰ :

- In the first place more extensive information base is mentioned- besides the periodic financial statement, the instruments of the current accounting - accounts are also used. As an example the indicator of average duration of detention of deposits can be cited. Here, daily balances and turnovers on deposit accounts are used- information which cannot be obtained from the balance sheet.
- In the second place - the methods used in it are the method of coefficient, but also the referential, structural, index, graphic methods and method of factors. With the referential method data on one and the same relation between the different units for the same period is compared. Also data of one reported unit for different periods could also be compared. On the basis of the results obtained the trends of development of the banks are outlined and recommendations for a change in their activities are prepared.

The structural method considers the elements of the whole. For example, it can be examined what is the relative share of deposits from the entire amount of the attracted capital. Or what is the relative share the unlimited in time deposits in the whole volume of the deposit portfolio and what is the relative share of the loans in the total amount of the assets of the institutions. In this case, if there are any certain regulations, it is taken into account whether they are complied with or if they are not, what the reasons are. Analysts prepare recommendations for the future compliance with the norms.

The index method is widely used by the statistical accountability, but can also be applied in the accounting analysis. "The index method is a set of

principles, rules and formulas for quantitative measurement of the differences in time and place between the norms and the factual results and the impact of the factors in the analysis of the complex phenomena"¹¹. 2 functions are recorded with the indexes synthetic and an analytical function. With synthetic, all amendments shall be presented with a number, giving a summary information, for example the amendments in the loans for one period compared to another, which is adopted as a base. Analytical indexes are observed in index factor analysis where the influence of the factors upon the result value is measured.

The graphical method provides a clearer and more accessible way to the development of processes and phenomena in the institutions for a wide range of consumers . The images are: a comparison of variables (e.g. comparing the volume of deposit portfolios of 2 banks); graphical images for structures - for example the relative share of long-term loans in the total amount of the credit portfolio; graphical images for development - for example monitoring by means of a graph dynamics of the credit portfolio for 5- year period; graphical images for functional dependencies, for example how the liquidity is reflected on the strong increase of the credit portfolio.

The method of factors, as it could be seen by its name, provides information on the quantitative impact of the factors on a specified resultative value.

- In third place, ratios and trends are examined, in case such negative are determined and the factors for them are determined with a view to eliminate them; the effectiveness of the resources is measured; it predetermines what the trends in the activities in the future should be.

The accounting analysis in the literature is seen in 2 basic guidelines. On one hand it provides the required information for the management, on the basis of which optimal solutions shall be taken.¹² In this context we talk about the analytical function

¹⁰ For more details see Dimitrov, Marin.(2011) The accounting analysis - a challenge to the accountants.// The challenges before the accounting and control: Scientific Conference-01-02.10.2010, Varna:39.

¹¹ Petkov, Petko. (2001).Statistics. Varna, IM the VFU "Chernorozets Hrabar":435

¹² The first thesis is supported by some authors, as IOTOVA, Ionka, KANEVA, Totka.(2006) Accounting analysis (for example of the banks). Svishtov: 16.

of the accountancy. On the other hand, the accounting analysis is seen as a separate science.

The analytical function of the accounts shall be regarded as its fundamental function. Although an idea appears that "on the number and the content of the functions of the accounting there is no single opinion"¹³, "analysis of the information contained in the accounting records, which is a rich economic information, directs the workforce to a continuous improvement of their knowledge, at mastering the rich scientific treasury..."¹⁴ That is how it is stressed out that the accounting analysis is an integral part of accountability. Here the emphasis is on the idea that the analysis as science would not be able to develop itself. This way of thinking is also routed in the research of another author: "Accounting analysis does not have its own subject of study and methods of testing. It studies the subject matter and applies the methods that are defined in the theory of accounting, but for the management of a domestic activity of the firm."¹⁵ All devices of the analysis as a comparison, the group, balance technique could be used if the data provided by the accountability is missing .

If we need to consider the second claim, an emphasis of the following could be made:

1. Does the accounting analysis have its individual subject, tasks, method, aim, subject of study.
2. Approved a positive opinion in item 1 would be a prerequisite for fencing the analysis as a separate branch of science.
3. With the development of the public - economic relations, the method and subject matter could develop with the time. It is this is one of the tasks before the science - to be useful and to meet the needs of the separate groups of interested persons.
4. The use of methods, which are used by other sciences, does not reduce the significance of the analysis as a branch of science, if the last is confirmed .

3. Result and Discussion:

In order to illustrate to what extent analysis can be considered as part of the accounting or is it necessary to be treated as a separate science, will be used in the following table:

¹³ PERGELOV, Kosta.(2002) Intensifying the national economics and improving the functions of accounting. // Jubilee collection dedicated to the prof. Kosta Pergelov : For his 80th anniversary and 55 years continuous activity. Sofia: 10

¹⁴ PERGELOV, Kosta. cited from:127.

¹⁵ Trifonov, Trifon.(2000) Accounting analysis of the company. Managerial accounting. I part. Sofia, publ. Ciela: 29

Table 1 ¹⁶A comparative table between the Accountancy as a science and "The accounting analysis as a function of accountability"

Criteria	Accounting Records	The accounting analysis as a function of accountability
Subject	Very often between the subject and the object of the accounting is put a sign of equality ¹⁷ . For authors, who distinguish the two concepts subject is connected with a documentary recording of the movement of capital in their monetary or other material form.	The subject matter of the accounting analysis can be reduced to the study of the movement of capital in all phases of their circles in the different institutions.
Purpose	The creation of a certain information product which will be useful for the needs of the management and for the needs of other users e.g. customers, tax authorities, statistics, owners.	The provision of information on the financial and economic state of the enterprise where information is necessary for the needs of the internal and external users.
Object	The one that is object to accounting and to which human attention is directed- the resources of enterprises in their circles, the source of these resources and business-legal relations.	The property status submitted by the current and periodical accounting; the results from the operations of the reported unit; the financial state, expressed by its liquidity, solvency, capital structure and resources which it controls.
Tasks	The main tasks are related to the necessity to deliver in advance information related to the assets of the enterprise and their origin at a particular moment, its revenue and cash flows; systematical and chronological comprehension and evaluation of the changes in the assets and their origin as a result of the performed business operations; establishing control over the authenticity of data in the accounting documents; to present information on the outcome of the integral activities of the enterprise for the reporting period.	The main task is to present on-time and objective evaluation of the financial and property state of the enterprise. For the implementation of this task , the following sub-tasks should be performed: assessment of tangible, financial, labor resources - ways to use ; an evaluation of the actual financial situation on the basis of the statement for financial state, the income statement and the annexes to the annual financial statements.

¹⁶ For the compilation of the table the views of authors such as Ivan Dushanov, Marin Dimitrov, Trifon Trifonov, Grigor Vakliev, Mihail Mihaylov, Krastyo Chukov are used .

¹⁷ Authors such as Bahchevanov, Totev, Dushanov, Bazlyankov consider the object and the subject of accounting as equivalent concepts

Method	<p>The methods are general and private. The general methods include: the dialectical method, the method of the systems analysis, the economic and mathematical modeling.</p> <p>Private methods include: balance sheet summary, summary, recording, inventory, evaluation, calculation, the system of accounting the accounts, double recording in the accounts.</p>	<p>The method of the analysis includes the following methods: the method of comparison, the balance method, method of induction, method of deduction, the method of the group, graphical method, structural method, co-efficient method, method of factors, index method.</p>
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Source: Own Development

4. Conclusions:

On the basis of the presented table the following conclusions can be made:

- It is obvious that the accounting analysis does not have its own subject and uses the subject matter of the accounting.
- The analysis uses methods, characteristic for accounting and for other sciences, as statistics and mathematics. Neither of the methods listed above is characteristic only for the analysis.
- The aim of the analysis coincides with the purpose of accounting - the provision of information for the needs of management and other users.
- A significant part of the subjects of the accounting are targeted by the analysis. The analysis compares and assesses

information related to the capital in their circles.

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