Chapter 6

Financial Audit in Romanian Enterprises: Coming Across Tendencies, Profits, Further Tasks, and Improvement of Business Strategies

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ABSTRACT

The chapter proposes an interdisciplinary perspective and explores from the theoretical and practical point of view approaches of management accounting and their impact on different companies in Romania. Also, the chapter examines the role of management accounting related to accounting and auditing and offers a number of new insights into management accounting. Romanian companies in the accounting, auditing, and tax consultancy fields use computer-assisted auditing techniques (CAAT) to find better solutions for generating profits, avoiding risks and improving the companies’ business strategies. The chapter will help the academia, business environment, specialty organizations, and business analysts in identifying new trends in management accounting, building on existing research and new expert assertions.

INTRODUCTION

Financial audit has the role of increasing the credibility of the information in the financial statements, by critically assessing it (Sharma et al., 2018; Tone, et al., 2018). The financial audit reviews the accounting and financial statements of the companies (Pagano et al., 2018).

The financial audit is used to express an independent opinion on the financial statements, designed to ensure and equally protect all users of the information they contain: investors, employees, unions, creditors, suppliers, clients, bankers (Fernandez, et al., 2018).

The financial information presents the risk of being less credible than it should. With a view to the legal and effective management of this risk, the financial audit analyzes the financial statements from

DOI: 10.4018/978-1-7998-0178-8.ch006
the perspective of the economic prevalence over the legal, which represents the extent to which the information is in accordance with the economic reality and not just with the existing legal framework (Talonen, 2016; Felicio & Rodrigues, 2015; Sling & Schaper, 2017).

The overall objective of the audit is to present fairly, in all material respects, a financial position and to issue an opinion according to which the economic operations are fair and in accordance with the law.

The financial audit fulfills the overall objective by achieving the following operational objectives: ensuring that the financial audit has taken into account all the risks associated with the audited entity; helping customers improve their internal audits by providing them with constructive advice on how to improve their financial statements in the future; checking the procedures used in the entity for accounting for the economic and financial operations, checking and analyzing the inventory results, ensuring that all operations were reflected in the appropriate supporting documents that were correctly and fully accounted and at the same time that there are no operations accounted repeatedly; checking that all asset and liability items recorded in the accounts are justifiable and verifiable; verifying the correctness of the recording in the accounting system and the correct reflection in the annual accounts (Meda Antal & Șumandea-Simionescu, 2015; Bruszas et al., 2018; Wang et al.; 2013; Ma et al., 2018; Johannsdottir, 2015).

The main objectives of this chapter are: (1) the presentation of the specialized literature on financial insurance services (2) the analysis of the Romanian insurance market: both the evolution of the demand for insurance services in Romania and the analysis of the insurance services offer in Romania; (3) the presentation of the financial indicators of the leading financial audit firms in Romania; (4) the analysis of the benefits and barriers to implement a quality audit (5) the presentation of a case study on the implementation of the audit within a financial insurance firm.

BACKGROUND

Financial services are provided by banks, credit card companies, insurance companies, finance companies, stock brokers, and investment funds. The financial services industry is relatively new, but certain parts of it, such as insurance coverage and banking services, go a long way in history. Insurances have arisen from the need to protect people and their assets against various unpredictable events such as accidents, illnesses and natural disasters. Ever since ancient times, people have been trying to find solutions to these problems (Dutta et al., 2019; Rizvi, 2013; Shi & Frees, 2010; Chen et al., 2018; Chang, 2018).

Zeyneloglu (2018) says that there is a strong link between consumer and financial insurer, trust and professionalism. Insurance companies have the opportunity to form natural and lasting relationships with consumers.

The insurance is concluded on the basis of a contract or obligation stipulated by law, whereby the insurance company undertakes in exchange for a sum of money, called the insurance premium to bear the damages for the production of an event and to compensate the insured person (Axelsen et al., 2017; Shahzad et al., 2018; Chen et al., 2018).

The insurance is analyzed from a psychological, financial perspective, but also from a legal perspective. It can be defined from a psychological perspective as a sense of contentment, safety or psychological comfort based on covering the damage caused by the occurrence of unpredictable and unwanted events. From a financial point of view, we can state that insurance is created through a financial intermediary between insured individuals who pay quarterly insurance premiums and individuals or legal entities that need additional money (Brooks & Schophl, 2018).