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# The Perception of the Representatives of the Accounting Profession from Romania

on the Relationship  
between Conservatism  
and True and Fair View

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## Abstract

Assuming that there is a potential conflict between true and fair view and conservatism, the authors aimed to identify, by means of a survey, the perception of the representatives of the accounting profession from Romania, namely chartered certified accountants, licensed accountants, financial auditors and accountants other than chartered certified and licensed accountants, on the following aspects: the meaning of true and fair view, the need to assign a universally accepted definition to this concept, the meaning of creative accounting, the use of conservatism as a way to manipulate earnings and, last but not least, on the relationship between conservatism and true and fair view. The result indicated that the most representative interpretation of true and fair view is „the application, in good faith, of all accounting principles”. Regarding creative accounting, this was perceived mainly as a way to manipulate earnings within the law, most of the respondents considering that the current accounting regulations facilitate the existence of such practices. Within the limit of the analyzed sample, the relation between true and fair view and conservatism has been perceived as complementary, in the sense that it implies the use of conservatism in order to obtain an image that represents the economic reality.

**Keywords:** true and fair view; conservatism; creative accounting; questionnaire; accounting principles; earnings management

**JEL Classification:** M41

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## Introduction

The continuous evolution and the transformations that take place in the business environment at global level make us to refer, more and more frequently, to a unique accounting framework that regulates the accounting activity, regardless of the geographical coordinates or the socio-cultural differences, to an international, global model, meant to increase the transparency, relevance and comparability of financial reporting and to facilitate financing through capital markets from all over the world. Thus, in the context of globalization, standardization and accounting harmonization that brought the International Financial Reporting Standards to the fore, we considered necessary to clarify the relationship between the two concepts: true and fair view and conservatism as well as the problems and influences that this relationship can generate.

In order to carry out the research, we considered the fact that in the accounting literature there are two opinions, in antithesis, suggesting: a *conflictual relationship*, which implies the exclusion of conservatism in order to obtain a true and fair view or a *complementary relationship*, which implies the use of conservatism, along with other accounting principles in order to obtain a true and fair view.

We propose, in the following, to present: the current state of the field regarding the relationship between true and fair view and conservatism (first section), the methodology applied in the undertaken analysis (second section), the analysis of the results and the perception of the representatives of the accounting profession regarding the presented problems (the third section), as well as the conclusions and limits of the study (the last section).

## 1. Literature review

Although, in general, conservatism is accepted, its relation with the financial reporting objective, true and fair view, is controversial. Our research has focused on this relationship because it is considered that this connection arouses most of the debates among theoreticians and practitioners in the accounting field. Before presenting the results, we consider it necessary to review the main arguments against and for conservatism and the opinions in the accounting literature regarding the type of relationship between the two concepts.

### 1.1. The conflicting perspective on the relationship between true and fair view and conservatism in the accounting literature

The main arguments against conservatism, according to ACCA (2014), concern the neutrality and comparability of the resulting financial statements. Other professional investors, for example Chartered Financial Analysts (CFA), want management to report the actual results in a transparent manner that is not biased but neutral to both good and bad news. Where there are uncertainties, they would like management's best estimate with the appropriate disclosures of the basis on which this has been made. It is also contested the fact that while conservatism may hold back profits in one year such restraint may simply lead to their release in a subsequent period which as a result will show exaggerated results.

In the accounting literature, a first opinion on the conflicting relationship between the two concepts can be attributed to Hinton (1972), presented by Evans & Nobes (1996, p. 366), according to which conservatism is inconsistent with another basic concept, vigorously proclaimed by accountants, namely that accounting must be fair and free from bias. Conservatism and fairness are, in the author's opinion, inconsistent concepts, since conservatism serves some users of financial statements to the detriment of others.

Then, according to the Montesinos Julve, Garcia Benau & Vela Bague's opinions (1989), presented by Machado Cabezas (1996, p. 811), the purpose of conservatism is to protect the wealth of a company against the risk of reflecting unrealized („oversized”) results, the distribution of which could lead to the decapitalization of the company. This tendency of conservatism is able to distort the true and fair view objective.

Feleagă (1996, p. 224) asks the following question regarding this conflict: „what true and fair view does the financial statements offer if we use a provision?” The same author (1997, p. 52) argues that conservatism is clearly in the most conflicting relation with the true and fair view objective, since it constantly induces a pessimistic point of view that requires the recognition of all the decreases in value to the detriment of all the increases in value for assets. Feleagă & Ionașcu (1997, p. 382) state that, in fact, the excess of conservatism conflicts with the true and fair view concept. Proper

judgment of conservatism is a condition that must be met in order to obtain a true and fair view. The authors assert that, from the French point of view, conservatism is included in the „true and fair view equation”.

Following the analysis of conservatism, as it is presented in the accounting regulations, and of the fidelity requirement to which it must comply, Toma & Robu (2014, p. 7) argue that two conclusions can be reached. The first assumes that the asymmetric treatment of the increases and decreases in value for debts and assets inevitably and certainly leads to a departure of the presented information, from the factual entity's state of affairs (in these conditions we cannot state that the information presented reflects the true and fair view of the financial position). The second one assumes that the recognition of all impairments, potential liabilities and losses, regardless of the nature of the result of the financial year, or the moment when they become evident and the non-recognition of the profit until the moment of its realization, at the balance sheet date, leads to failure to present the true and fair view of the entity's performance. The authors support the hypothesis that conservatism is in a conflictual relationship with the objective of financial reporting, true and fair view. They also argue that a reasonable interpretation of the objective at the present time could be presented in the following manner: an accountant should aim for an ideal objective (the true and fair view) knowing that due to conservatism and legal restrictions it is impossible to reach.

We could argue that the real reason we can assert that there is a conflict between true and fair view and conservatism is the existence of the much-contested creative accounting. Thus, as Villarroja Lequericaonandia (2003, p. 210) states in this regard, it is obvious that the existence of accounting principles that allow the introduction of subjectivism, as is the case with conservatism, favors the emergence of accounting manipulations. The author argues that it must be acknowledged that the application of accounting principles, in particular conservatism, is an obstacle to the managers' optimism and a mechanism of protection against business uncertainty, while encouraging creative accounting in companies. Or, creative accounting should be considered an impediment in obtaining the true and fair view. Using conservatism as a facilitator of creative accounting does nothing but to increase the magnitude of this conflict.

## **1.2. The complementarity perspective on the relationship between true and fair view and conservatism in the accounting literature**

Assuming that „the true and fair view's recipe” includes as the main „ingredient” compliance with generally accepted accounting principles (Feleagă & Ionașcu, 1997), we also focused on the arguments in favor of conservatism, which support the idea of a complementary relationship between those two concepts, in order to reflect the economic reality of a company.

Kamall (2012) states, in defense of conservatism, that abandoning it in favor of neutrality encouraged a „box-ticking attitude”, which means that financial statements are always considered „true and fair” if have checked all the requirements imposed by IFRS. The author states that without conservatism some financial institutions and corporations will be able to hide behind the international accounting financial standards and will claim to be solvent while the reality is completely different.

Simo et al. (2013) presents conservatism as „a reasonable assessment of the facts in order to avoid transferring the risks of the current uncertainties, a transfer that could strike the company's assets and revenues in the future”. The term „reasonable” refers to the professional judgment of information producers. Risk perception is subjective. The authors' question is: can we define a threshold for the appreciation of conservatism and say whether or not we are too cautious? In their opinion, it is this question that calls into question the coherence of conservatism with true and fair view objective.

Bunget & Bureană (2015) argue that, in order to discuss conservatism, you must first define true and fair view, the first concept being considered by the authors as a complement to true and fair view. At the same time, the authors assert that true and fair view can be assimilated to the image we can trust and that this conflict can never be eliminated.

The asymmetrical treatment of gains and losses found in inventory implies the use of an excess of caution at the expense of pursuing the true and fair view objective. By its nature and content, the use of conservatism ensures that an entity will remain in business for the foreseeable future (going concern concept demands) and that, at the same time, it presents a pessimistic image on the wealth

of an enterprise (Horomnea *et al.*, 2016, pp. 119, 184). Corroborated with the opinion of Feleagă & Ionașcu (1997), the conflictual relationship between true and fair view and conservatism seems to appear when there is an abuse of conservatism, an exaggeration regarding the measurement process not when a reasonable degree of precaution is used.

The literature review convinced us that there are no papers that explore the relationship between the two concepts as a whole, especially a quantification model. Starting from this finding, our research aims to analyze this relation, especially looking if, and to what extent, conservatism is perceived as a major influencing factor in reaching the true and fair view objective.

## 2. The research methodology

Considering a series of coordinates such as: the meaning of true and fair view, the use of conservatism as a way to manipulate earnings and the meaning of creative accounting, the problems we set out to clarify, based on the answers received in a survey based on a questionnaire addressed to representatives of the accounting profession from Romania (chartered certified accountants, licensed accountants, financial auditors and accountants other than chartered certified and licensed accountants), are:

- *Is there a unitary opinion among the representatives of the accounting profession in Romania regarding the relationship between true and fair view and conservatism?*
- *Is true and fair view perceived as the image obtained following all generally accepted accounting principles, including conservatism, as a fundamental principle (Penman, 2016)?*
- *Is true and fair view perceived by auditors as a useful objective to them?*
- *Are there any cases where conservatism has been used to manipulate earnings?*

Under these conditions, the main objective of the research is to identify the perception of Romanian representatives of the accounting profession regarding the relationship between true and fair view and conservatism, having as reference point the two types of relationships found in the accounting literature: conflict or completion. Secondary objectives aim at identifying the respondents' perception of the meaning of true and

fair view, the need to assign a universally accepted definition to this concept, the meaning of creative accounting and the use of conservatism as a way to manipulate earnings through provisions and impairment adjustments.

The choice and construction of the questionnaire for the survey was based on studies based on true and fair view concept, carried out over the years. In the literature, this tool is often used in order to capture the perception of different categories of users of financial statements on the true and fair view matter.

In this regard, we present a synthesis of representative papers regarding the perception of the true and fair view concept. Thus, using the questionnaire-based survey, Nobes & Parker (1991) analyzed the way in which the financial directors of the UK companies applied in practice the true and fair view concept to their organizations' financial statements. Low & Koh (1997) investigated the differential perceptions of the true and fair view among accountants, bank officers and managers in Singapore and examined whether it was perceived to mean compliance with generally accepted accounting principles and compliance with legal requirements. Amat *et al.* (2000) investigated the experience of Spanish auditors in working with the true and fair view concept, their views on the value of the term, and their experience in use of the true and fair view override. Kosmala (2005) established the importance of true and fair view requirements for Polish practitioners. Kirk (2006) continued and expanded an international empirical research on the perceptions of financial directors, auditors and shareholders on the true and fair view concept in New Zealand. Gonzalo – Angulo *et al.* (2018) examined the effects that professional status and maturity have on the understanding and perception of the true and fair view and its overriding principle in Spain and Piechocka-Kalusna's study (2018) focused on the notion of truth in financial reporting and the role of true and fair view.

Starting from the observation that the aspects covered by our research have not been addressed until now in other studies, as it turns out from the presented synthesis, we set out to identify the perception of the Romanian representatives of the accounting profession on the relationship between true and fair view and conservatism, considering the interpretation

of the two concepts, as well as their connection with the accounting manipulation within the law, that is what we call creative accounting.

The survey consists of a questionnaire, composed of 19 questions (presented in the **Appendix**), of *factual type* – they refer to certain situations, behaviors known by the respondents and *opinion type* – they concern the attitudes, the opinions of the respondents (Șandor, 2013, p. 119), which was addressed to a sample of chartered certified accountants, licensed accountants, financial auditors and accountants other than chartered certified and licensed accountants, being structured into three sections:

- *In the first section (questions 4-6)* opinion questions, that concern the perception of the respondents regarding the meaning of true and fair view and the need to assign a universally accepted definition to this concept, were used.
- *In the second section (questions 7-14)*, factual and opinion questions that concern the perception of the respondents about the relationship between true and fair view and conservatism were used. For this purpose, among others, the respondents were offered the option to choose between the two types of relationships identified following the literature review (conflict or complementary relationship) and to motivate their choice.
- *In the last section (questions 15-19)*, opinion questions that concern the perception of the respondents regarding the use of conservatism as a means of manipulating the financial results were used.

The questionnaire begins with a series of questions (1-3) which are designed to identify the type of respondent and his experience in the field.

In order to establish the proposed questions, we considered the papers of Barnea, Ronen and Sadan, 1976; Collet, 1990; Walton, 1993; Naser, 1993; Feleagă and Ionașcu, 1997; Shah, 1998; Amat, Blake and Oliveras, 2000; Stolowy, 2000; Garcia Cea, 2012; Stolowy, Lebas and Ding, 2013; Horomnea *et al.*, 2016 and also the requirements of *IAS 1 Presentation of financial statements*.

### 3. Sample selection

The target group of specialists was represented by accountants other than chartered certified and licensed

accountants, chartered certified accountants and licensed accountants – CECCAR (Body of Chartered Certified Accountants and Licensed Accountants of Romania) members and representatives of the audit activity from the North-East Region of Romania (Iasi, Suceava, Bacau, Neamț, Vaslui and Botoșani counties). However, in order to increase the number of responses from the auditors, the target group subsequently included representatives of the audit activity from counties such as Maramureș, Bistrița, Brașov, Mureș and also from Bucharest. Prior to its distribution, the questionnaire was pre-tested in order to refine its structure.

In order to complete this study, the Google Forms service, made available by the Google platform, was used, the questionnaire thus constructed being made available to the respondents through electronic means of communication (e-mail).

The questionnaire was distributed in a first phase, in paper format, within training courses organized by the Body of Chartered Certified Accountants and Licensed Accountants of Romania (CECCAR) and 17 answers were obtained. Subsequently it was made available to a number of about 900 of representatives of the accounting profession (about 300 representatives for each of the three groups) through electronic means of communication (e-mail)<sup>1</sup>, 105 responses being obtained this time.

From the two phases, carried out between April and October 2019, we obtained a total of 122 answers out of which 121 are usable, 1 answer being eliminated due to the non-belonging of the respondent to the target group. The number of responses is comparable to those received for similar questionnaires regarding the perception of true and fair view proposed by McEnroe & Martens, 1998 and Kosmala, 2005 and at the same time represents an acceptable number of responses for Romania, where numerous papers such as those of the authors Săcărin, Bunea and Gîrbină, 2013; Grosu, Almasan and Circa, 2014; Almasan *et al.*, 2019;

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<sup>1</sup> E-mails were sent to the target population in May 2019 and then a reminder message was sent to the same group in September 2019. Because for the financial auditors there was a very low response rate in the two phases, we extended the distribution of the questionnaire to other people from Bucharest and other counties outside the North-East region.

Buculescu and Velicescu, 2014, which deals with different aspects of the financial accounting field, presents similar samples. According to Albu et al. (2011), conducting and publishing research presenting samples smaller than those provided in international accounting journals is caused by the reluctance of companies and professionals to respond to questionnaire-based surveys, most likely in an attempt to prevent the disclosure of sensitive information.

## 4. Results and discussions

In a first phase, the analysis of the results outlined the profile of the respondents. Thus, we noticed that most of the respondents are from the **accountants other than chartered certified and licensed accountants category** (55 respondents – 45.45%) followed by **CECCAR members** (7 licensed accountants – 5.79% and 40 chartered certified accountants – 33.06%) and **financial auditing representatives** ( 11 independent financial auditors – 9.09% and 8 representatives of audit companies – 6.61%).

The predominant role played by the respondents is to prepare/ participate in the preparation of the financial

statements (62%) and most of the respondents (79%) have been active for more than 5 years in this field, 47% of them having over 15 years of experience. The first section deals with questions 4-6, opinion questions, which are used with the purpose of determining to what extent the respondents' opinion regarding the meaning of true and fair view overlaps with a series of interpretations provided by the accounting literature and, at the same time, the extent to which the respondents consider it necessary that a universally accepted definition/ interpretation be established for this concept.

In order to explore the perception of representatives of the accounting profession in our country on the true and fair view concept and, implicitly, on its meaning/ interpretation, we presented through the fourth question in the questionnaire a series of definitions/ meanings/ interpretations identified in the accounting literature asking the respondents to give a score from 1 (1 – total disagreement) to 5 (5 – total agreement) for each of them. Based on the scores assigned by the 121 respondents, we obtained a ranking of opinions, as can be observed in **Table no. 1**.

The true and fair view interpretation	No. Resp.	The status of the respondent	Score for					Mean	Mode	Rank
			1	2	3	4	5			
Guarantee of the financial reporting quality	121	Accountant	0	0	4	22	29	4.37	4	2
		CECCAR member	0	1	3	22	21			
		Audit representant	0	1	0	12	6			
Compliance, in good faith, of all accounting principles	120	Accountant	0	1	3	18	32	4.44	5	1
		CECCAR member	0	0	1	25	21			
		Audit representant	0	0	1	11	7			
Safety net invoked when the accounting regulations do not cover circumstances other than those specifically foreseen in other clauses in the document	119	Accountant	1	3	13	23	13	3.8	4	6
		CECCAR member	0	3	14	19	11			
		Audit representant	0	1	8	6	4			
Higher objective of financial reporting	120	Accountant	0	3	9	17	25	4.1	5	4
		CECCAR member	0	1	9	20	17			
		Audit representant	0	3	3	8	5			
A useful principle for auditors	114	Accountant	0	2	10	19	21	3.99	4	5
		CECCAR member	1	2	8	19	13			
		Audit representant	1	1	5	8	4			
The true and fair view concept implies the exact representation of the company's economic activity	120	Accountant	0	2	7	11	34	4.27	5	3
		CECCAR member	1	0	5	20	21			
		Audit representant	1	1	3	10	4			

Source: Authors, 2020

Overall, analyzing the data in **Table no. 1**, it can be concluded that „**Compliance, in good faith, of all**

**accounting principles**” is the most representative interpretation attributed to true and fair view, followed

closely by that of „**Guarantee of the financial reporting quality**” and „... **exact representation of the company's economic activity**”. As can be observed, there are not very large gaps between the assigned scores, and none of the interpretations was rejected by a significant number of respondents. This highlights the uncertain nature of the concept and brings us to Cunningham's (2003) assertion that true and fair view may indeed have different meanings for different groups or societies.

Regarding the status of the respondents, it can be observed that there were not very big differences in perception between the three categories: **accountants other than chartered certified and licensed accountants** (55 respondents), **CECCAR members** (47 respondents) and **financial auditing representatives** (19 respondents). At the same time, the expectations regarding the priority attribution of the meaning of „useful principle to the auditors” by the auditors proved unfounded since, within the limit of the analyzed sample, it can be observed that the auditors opt for the description of true and fair view as „**Compliance, in good faith, of all accounting principles**” and „**Guarantee of the financial reporting quality**”.

Asked if they consider it necessary to establish a universally accepted definition for true and fair view, 58.68% of the respondents said no. The 50 respondents who stated that they considered it necessary were further asked to specify why. Thus, analyzing 28 free answers, we observed that, within the limit of the analyzed sample, the respondents consider it necessary to define/ interpret true and fair view in a universal way in order to ensure: **a unitary, clear interpretation** of the concept, thus ensuring the avoidance of individual, subjective interpretations that can lead to different representations of a similar situation; a high degree of **transparency** of financial reporting and a **high degree of objectivity and certainty** that what is represented, returns the true economic reality.

The second section aimed, first of all, to establish the degree of use of provisions and impairment adjustments, and secondly, the perception of the respondents on how conservatism interacts with the true and fair view objective, considering three phases.

Within the limit of the analyzed sample, for those who have bookkeeping activities, the most used provisions are those for **litigation, fines, penalties or other damages, compensations, bad debts**, followed by

those for **warranties** given to clients and **other provisions**. As for the impairment adjustments situation, for those who have bookkeeping activities, the least used ones are those for the loss of value of the treasury accounts. Of the mentioned categories, only a limited number of provisions and impairment adjustments benefit from deductibility. Thus, in the limit of the analyzed sample, we cannot argue that the use of the above presented categories takes place for tax reasons, but rather to take into account the risks and uncertainties faced by the companies.

In the first phase, in order to establish the perception on the relationship between true and fair view and conservatism, question no. 9, which aims to identify whether the respondents perceive the financial statements prepared in accordance with conservatism as reports that present the true and fair view of the financial position and performance of the company, was included in the questionnaire. In this regard, 79% of the respondents appreciate conservatism as a feature of the financial statements that present a true and fair view of a company's wealth.

In the second phase, starting from the two types of relationships identified in the literature review: complementary relationship and conflictual relationship, the respondents had the option to select the idea/ belief/ opinion with which they identify (question no. 10), and, in the third and final phase, they were asked to motivate their choice (question no. 11). 91% of the respondents opted for „a complementary relationship that implies the use of conservatism in order to obtain a true and fair view”.

Of the 38 usable answers, obtained in question no. 11, we retain some of the answers as follows:

In order to support the conflictual relationship:

„*Most of the time, excessive use of conservatism causes a distorted image of a company*” (Acc. under 5 years of experience).

„*If you are conservative, you do not have a faithful image... True and fair view means that you have all the information that affects the company... information that has a negative consequence in the future. Theoretically, no one knows the future, thus, true and fair view which implies knowing the future does not exist*” (FA, over 15 years of experience).

„*The use of conservatism does not exactly reflect the reality, due to the decreases of the value of the assets,*

respectively to the increases of the debts" (Acc. under 5 years of experience).

In order to support the complementary relationship:

*„Professional judgment is essential for an appropriate audit. I consider the term „conservatism” synonymous with the term „professional skepticism”. Maintaining professional skepticism during the audit is required if the auditor, for example, must reduce the risk of: omitting unusual circumstances; the use of improper presumptions in determining the nature, timing and extent of the audit procedures and in evaluating their results. Professional skepticism/ conservatism is necessary for a critical evaluation of audit evidence” (Audit firm representative, over 15 years experience).*

*„... a complementary relationship because, by using conservatism, we can obtain a most accurate image of the financial year. Conservatism does not allow the reporting of overvalued assets or undervalued expenses, which makes us have a most credible financial year situation” (Acc. between 10 and 15 years of experience).*

*„Conservatism implies the use of provisions and impairment adjustments. Without them the asset would have a greater value than the real one” (CECCAR member, less than 5 years experience).*

*„... a complementary relationship because the true and fair view implies the reflection of the real situation, and conservatism implies a reasonable appreciation of the facts in order to avoid future risk, the result being the obtaining of the true and fair view” (Acc. under 5 years experience).*

*„The overestimation of the receivables and/ or the appreciation of the debts as being smaller do nothing but distort the image on the company, not offering a true image. It is good to go on the most pragmatic scenario, in order to avoid creating the impression of artificial wealth” (Acc. under 5 years experience).*

*„If conservatism is not used in the measurement process of some cases, an overestimation of the assets or an undervaluation of the debts would be obtained, and therefore a true and fair view of the respective company would not be achieved” (CECCAR member, over 15 years the experience).*

Considering the requirement in OMFP 1802/2014 (section 2.1 paragraph 25) to provide additional information in the notes to the financial statements, in

cases where the application of the regulations is not sufficient to give a true and fair view of the assets, liabilities, the financial position and the performance of the entity, questions 12-14 relate to how this option was encountered by respondents, given the three questions considered by Amat et al. (2000) in their paper.

Therefore, we noticed that 31.40% of the respondents had one or more clients who decided to include additional information in the financial reports, in order to obtain a true and fair view, 49.6% of the respondents were in the situation of having one or more clients who followed the advice to include more information in the financial reports in order to obtain a true and fair view, and 27.3% of the respondents were in the situation of having one or more clients who did not follow the advice to include more information in financial statements in order to get a true and fair view.

The last section (questions 15-19) concerns the perception of the respondents regarding the use of conservatism as a facilitator of earnings management. In the first phase we set out to identify, as in the case of the true and fair view concept, how the respondents interpret creative accounting, referring again to a series of interpretations identified in the accounting literature.

Analyzing the data in **Table no. 2**, we could find that **„Manipulation of financial statements using accounting options, estimates or other practices accepted by accounting regulations”** could be considered the most representative interpretation attributed to creative accounting, followed closely by the **„A set of procedures used to modify the level of results (to optimize or minimize them), or to present financial statements without these goals being mutually exclusive”**. The least representative is that of **„Deliberate diminution of fluctuations in the level of earnings considered normal for an enterprise”**, most of the respondents being undecided about this perspective on creative accounting.

Regarding the status of the respondents, it can be observed that, of the three considered categories, the **accountants other than chartered certified and licensed accountants** mainly inclined towards **„Manipulation of financial statements using accounting options, estimates or other practices accepted by accounting regulations”** and **CECCAR members** towards **„A process by which the management of an enterprise takes advantage of the shortcomings or uses the blurs in the accounting rules to present a modified image of the results”**.



**Table no. 2. Respondents' perception of the significance of creative accounting – Q15**

The creative accounting interpretation	No. Resp.	The status of the respondent	Score for					Mean	Mode	Rank
			1	2	3	4	5			
A process by which the management of an enterprise takes advantage of the shortcomings or uses the blurs in the accounting rules to present a modified image of the results	118	Accountant	3	10	13	21	5	3.18	4	3
		CECCAR member	8	6	16	13	4			
		Audit representant	0	4	5	9	1			
Manipulation of financial statements using accounting options, estimates or other practices accepted by accounting regulations	116	Accountant	2	10	8	25	7	3.24	4	1
		CECCAR member	11	4	16	10	5			
		Audit representant	0	3	5	8	2			
Deliberate diminution of fluctuations in the level of earnings considered normal for an enterprise	115	Accountant	3	12	20	10	6	2.91	3	4
		CECCAR member	13	6	17	8	2			
		Audit representant	0	2	8	8	0			
A set of procedures used to modify the level of results (to optimize or minimize them), or to present financial statements without these goals being mutually exclusive	116	Accountant	2	5	20	18	6	3.2	4	2
		CECCAR member	12	4	16	12	3			
		Audit representant	0	2	4	10	2			

Source: Authors, 2020

Also, regarding creative accounting, 57% of the respondents consider it easy to detect the creative techniques used in the financial reports of the Romanian companies, and 54% believe that the Romanian accounting regulations facilitate the use of creative accounting.

Being a sensitive topic to be addressed, both through the questionnaire and other types of survey, we have limited ourselves to the documentation of the use of creative accounting techniques that involve the use of provisions and impairment adjustments, thus appealing on respondents' experience. Asked if they identified in their activity cases where provisions and/ or impairment adjustments were used in order to manipulate earnings, 11.57% (14 respondents) stated that they encountered cases in which the impairment adjustments were used for this purpose, and 16.52% (20 respondents) encountered cases where provisions were used to manipulate the results.

At the end of the questionnaire respondents were able to contribute with examples of situations regarding the interaction between conservatism and true and fair view or the creative practices identified/ encountered in their practice. An extremely small number of respondents responded to this invitation. From their opinions it has emerged that conservatism is the most infringed principle and that tax reasons are often invoked in practice for the non-recognition of provisions and impairment adjustments, although in fact their impact is neutral on the income tax calculation base. An

expressed opinion was that the management avoids affecting the results and thus „It reaches a decapitalization of the companies in the end...” (FA, over 15 years experience).

## Conclusions

The main purpose of this survey was to identify the perception of the representatives of the accounting profession from Romania, namely chartered certified accountants, licensed accountants, financial auditors and accountants other than chartered certified and licensed accountants regarding the relationship between true and fair view and conservatism, considering the two options revealed by the accounting literature: a conflictual relationship or a complementary relationship. The results highlighted that, within the analyzed sample, this relationship is perceived as a complementary one, meaning that the use of conservatism takes place in order to obtain an image that represents the economic reality. Concerns regarding conservatism can be attributed to the exaggeration of the prudential attitude and its use in order to minimize the results of the period.

Regarding the respondents' perception on the meaning of true and fair view, the results indicated that it is perceived as the image resulting from compliance with all accounting principles and both as a guarantee of the financial reporting quality and objective of financial reporting. Although we expected this concept to be recognized as a useful

principle for auditors, the views of the respondents in this category converge on the idea that in achieving the true and fair view objective, compliance with all accounting principles takes precedence. The lack of a definition is pointed out by a large part of the respondents who claim that this concept should be clearly defined in order to leave no room for interpretations and to establish a relationship with certainty, a recipe that once followed would lead two accountants that face identical or similar situations to make the same decision, having as reference only the true and fair view requirement/ objective.

As far as creative accounting is concerned, it is perceived by most as a way to manipulate financial statements using in this regard estimations and the existing options in the accounting regulations. This

acceptance was confirmed by a number of respondents who identified in their activity cases in which the use of provisions and impairment adjustments was intended to manipulate the results.

The limits of the research concern, in this case, the small number of the sample, especially in the case of the representatives of the audit activity. Although the target population was large, the response rate was low. In the case of auditors, as mentioned in the description of the methodological approach, we expanded the research area due to the registration of a very low response rate in the first two stages of the distribution of the questionnaire. The number of respondents increased following the enlargement but subsequently remained unchanged.

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**APPENDIX**

The questions from the questionnaire regarding the perception of Romanian representatives of the accounting profession on the relationship between true and fair view and conservatism

1. Your status:
  - a. Financial auditor; b. Audit firm; c. Chartered certified accountant; d. Licensed accountant; e. Accountants other than chartered certified and licensed accountants; f. Another category: specify which.....
2. What is your role in the financial reporting process?
  - a. preparation of financial statements; b. auditing financial statements; c. certification of financial statements; d. user of financial statements; e. other: specify which.....
3. Work experience:
  - a. less than 5 years; b. between 5 and 9 years; c. between 10 and 15 years; d. over 15 years
4. In order to establish the importance of the true and fair view concept, specify to what extent you agree with the following statements.

Interpretation	5 = „Strongly Agree”	4 = „Agree”	3 = „Neither Agree nor Disagree”	2 = „Disagree”	1 = „Strongly Disagree”
Guarantee of the financial reporting quality					
Compliance, in good faith, of all accounting principles					
Safety net invoked when the accounting regulations do not cover circumstances other than those specifically foreseen in other clauses in the document					
Higher objective of financial reporting					
A useful principle for auditors					
The true and fair view concept implies the exact representation of the company's economic activity					

5. Do you consider it necessary to establish a clear and universally accepted definition for the true and fair view concept?
  - a. Yes; b. No;
6. If you answered Yes to question no. 5 specify why do you think a definition of the concept of true image is needed:
7. If you have bookkeeping activities, have you encountered situations where the recognition of provisions was required? Check the types of provisions you have recognised:
  - a. for litigation, fines and penalties or other damages; b. for actions related to the decommissioning of tangible assets; c. for restructuring; d. for guarantees granted to customers; e. for pensions and similar obligations; f. for taxes; g. for the termination of the employment contract; h. for employees' participation in profit; i. for onerous contracts; j. for concession agreements; k. other provisions; l. I do not recognise provisions; m. I do not have bookkeeping activities.
8. If you have bookkeeping activities, have you encountered situations where the recognition of impairment adjustments was required? Check the types of impairment adjustments you have recognised:

- a. impairment adjustments for depreciation of fixed assets; b. impairment adjustments for inventories and work in progress; c. impairment adjustments for receivables; d. impairment adjustments for the loss of value of the treasury accounts; e. I do not recognise impairment adjustments; f. I do not have bookkeeping activities.
9. Do you consider that the financial statements prepared in compliance with conservatism present a true and fair view of the company's financial position and performance?  
a. Yes; b. No
10. How do you consider the relationship between conservatism and true and fair view?  
a. a conflicting relationship that involves the exclusion of conservatism in order to obtain a true and fair view;  
b. a complementary relationship that involves the use of conservatism in order to obtain a true and fair view;
11. Motivate in maximum 4 lines the choice made to question no. 10.
12. Have you ever had a client who decided to include additional information in their financial statements, with the aim of obtaining a true and fair view? (Amat et al., 2000)  
a. Yes; b. No
13. Have you ever advised a client to include more information in their financial statements in order to obtain a true and fair view? (Amat et al., 2000)  
a. Yes; b. No
14. Have you ever advised a client to include more information in their financial statements in order to obtain a true fair view and he did not take into account your advice? (Amat et al., 2000)  
a. Yes; b. No
15. In order to interpret the concept of creative accounting, specify the extent to which you agree with the following statements:

Interpretation	5 = „Strongly Agree”	4 = „Agree”	3 = „Neither Agree nor Disagree”	2 = „Disagree”	1 = „Strongly Disagree”
A process by which the management of an enterprise takes advantage of the shortcomings or uses the blurs in the accounting rules to present a modified image of the results					
Manipulation of financial statements using accounting options, estimates or other practices accepted by accounting regulations					
Deliberate diminution of fluctuations in the level of earnings considered normal for an enterprise					
A set of procedures used to modify the level of results (to optimize or minimize them), or to present financial statements without these goals being mutually exclusive					

16. Do you consider it easy to detect manipulative/ creative accounting techniques used in Romanian financial statements?  
a. Yes; b. No

17. Have you ever identified cases in which provisions or impairment adjustments were used to manipulate the results of a company?
  - a. Yes, cases in which provisions were used for this purpose; b. Yes, cases in which the impairment adjustments were used for this purpose; c. No.
18. Do you consider that the national accounting regulations in force facilitate the use of creative accounting techniques?
  - a. Yes; b. No
19. If you would like to give us more information about your experience with the interaction between conservatism and true and fair view or about creative accounting practices, please do so in the following, using examples of such situations.