THE PRINCIPLE OF PRUDENCE APPROACH IN THE ACCOUNTING OF AFFECTED BY THE ECONOMIC CRISIS' ENTITIES

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Abstract
The principle of prudence is one of the principles adopted by IAS 8. In the current context, we appreciate that the economic impact requires the responsible approach of the prudence principle in order to reflect the economic situation in the accounting of the Romanian entities affected by the crisis. The purpose of this paper is the ex-ante evaluation of the financial situation and the adjustment by econometric modelling under the current conditions. We aim to develop a comparative model based on the stock quotes of the entities, reflecting the applicability of the prudence principle. The results of the study constitute a source of information for the economic agents in their demersal for adjusting the accounting economic situation to the current situation.

Keywords: the principle of prudence; IAS 8; economic crisis; econometric model.

1. General approach

The accounting principles represent good practice guides adopted at international level to ensure quality information transparency and to create the methodological framework meant to make credible accounting information for users of information such as investors, control bodies, management, etc.

If, the accounting principles are subject to IAS 8 (Deloitte, 2020) at the international level, these have been approved by the Order of the Minister of Public Finance 1802/2014 (Ministerul Finantelor Publice, 2014), with the subsequent completions and modifications, in our country.

The prudential attitude required by the legislation is explained by the recording in the financial statements of the "presumed" or "potential" losses, but not of the "expected" profits. As a result of the general concept, in accounting practice it is considered that an income or expense can be considered realized when this item is definitively quantifiable through a purchase or sale price.

According to IAS / IFRS, through fair value, the principle of prudence allows the positive or negative components of unrealized income to be recorded on the

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balance sheet. Subsequently, it results that the revenues and expenses' recognition takes place by the registration made before the time of final sale or final realization.

During the first part of 2020, the national economy has undergone significant changes due to the establishment of the state of emergency by Presidential Decree, which has generated an unprecedented economic blockade in Romania. An aspect derived from the closure of companies that do not fall into the sphere of food production and marketing is the technical unemployment, which put pressure on the affected by the crisis entities and on the state budget.

Under these conditions, we consider that a re-analysis of the economic situation of listed entities is required based on the fair value of the updating entities and restoring on a prudent basis the estimation of potential revenues and expenses specific to the period of economic crisis.

The paper aims to reassess the assets of the first 17 listed entities in the section BET-TR (Bucharest Exchange Trading Total Return Index) (Bursa de Valori Bucuresti, 2020) in order to identify, under the premise of the economic crisis, their patrimonial value and to obtain an econometric model for analysing the subsequent economic impact based on exchanges trade adjusted with the application of the principle of prudence.

2. Literature review

The concept of accounting policies was generated against the background of a deficiency of normative stability combined with frequent legislative changes that could decredit the accounting information already affected by the professional reasoning and placed in an international context defined by the IAS / IFRS norms.

In this context, the Romanian tax legislation is based on the accounting principles stipulated by IAS 8 and the European Directive 2013/34/EU starting with 2014 (Deloitte, 2020). Within the Accounting Handbook, which has become mandatory, the definition and implementation of accounting principles represent a validation step and guarantee the credibility of the not only Accounting Policies Handbook.

At the level of the items in the profit and loss account, the Accounting Policies Handbook contains information on the net turnover, the extraordinary income and expenses, the environmental expenses, etc.

IAS 8 standard defined the accounting policies as, changes in accounting estimates and errors for analysing changes and estimates the enters in financial reports, as well as for reflecting corrections, errors for events subsequent to the balance sheet (prospective side) or within the reporting period (retrospective issues).

Table 1: Literature review

No	Authors	Concepts and findings	Criticism
1.	Mihalcea, E. & Miluț F.L., 2020	The authors support the parallelism of the principle of prudence's applicability with the applicability of the principle of the faithful image, thinking about the divergent character of the two concepts, through the effects that they have on the accounting information from the financial reports.	The conclusion of the study is one with a certain dose of skepticism in applying the principle of prudence, the authors arguing favorably the principle of accurate image, without completely using current information that requires a readjustment of accounting information, on pessimistic grounds induced by the economic crisis. We think that the principle of prudence is, in this situation, a key principle that must be applied properly and that it can contribute to the increase of the accounting information's quality.
2.	Insuratelu, T., 2020	The expert's opinion on the applicability of the prudential principle, amended by OMFP 3781/2019, represents an argumentative approach, meant to clarify specific situations regarding the recognition of adjustments for impairment of receivables and provisions during the current financial year.	The article represents the current position of the Romanian tax authorities regarding the application of the prudence principle, which is brought to the forefront of professionals, with the obligation of its proper application and with the commitment of professional accountants in case of deviation from the normative act.
3.	Richard, J., 2017	The author realized a study on the need to reform the accounting system through IFRS, which, in his opinion, is an insufficiently developed tool adapted to the current needs of accounting information and which	The presented study is a theoretical one and, although there is a partial difficulty of adjusting the IFRS system to the current global living conditions, the criticism is still too exaggerated. This is because it is a global system

No	Authors	Concepts and findings	Criticism
		"prevents" global economic development. Moreover, the author presents a number of reasons for developing the IFRS system and proposes solutions to the barriers identified in the study.	that works in the global economy and there is no other tool to replace it. In addition, the application of the basic principles of IFRS leads to a useful normative stability for the entire community of economic agents.
4.	Marabel-Romo, J., Guiral, A., Crespo-Espert, J.L., Gonzalo, J.A. & Moon, D., 2016	The authors conducted a study on the concept of fair value in the absence of applying the precautionary principle. They analyze both empirically and statistically the value of the financial assets evaluated at the fair value of the main financial institutions, concluding, based on mathematical models, that applying the principle of prudence helps to consolidate the estimations regarding the fair value under the conditions of financial neutrality or financial insecurity generated by the financial crisis.	We consider this article as significant for the current situation of the economic crisis, arguing the opportunity to use the principle of prudence under the current conditions and substantiating the need to adjust the econometric models to the factual situation in Romania.
5.	Leliuc Cosmulese, C.G. , Grosu, V. and Hlaciuc, E., 2017	The authors perform a comparative and chronological analysis of the concept of goodwill in the presence of enhancing factors such as accounting principles and policies. The conclusions of the study capture aspects regarding the recognition of goodwill as a surplus value or as a difference in acquisition cost. Goodwill recognition through IFRS 3 determines	From the point of view of the principle of prudence, the authors do not quantify the goodwill adjustments following the application of the principle of prudence. We consider that the modification of the goodwill can be significant after applying the adjustments.

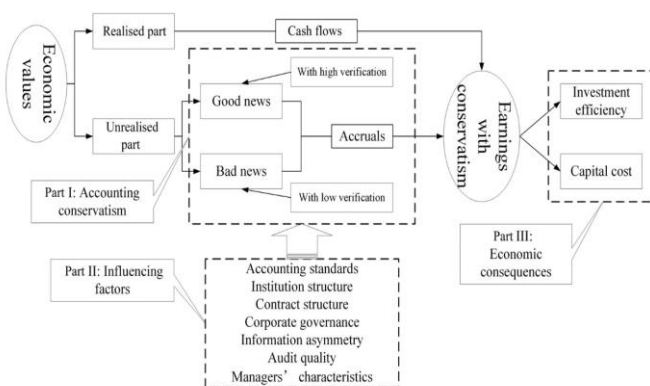| No	Authors	Concepts and findings	Criticism
		the synergy of the entities' activity in multinational consortia or in business combinations.	
6.	Zhong, Y. & Li, W. , 2016	The authors conduct a wide-ranging debate on the influence of conservatism in accounting practice and financial reporting. The conservatism affects the financial reporting's neutrality and is incompatible with the fair valuation of the capital. The study presents a time prospecting of the effects of conservatism on accounting information and the need for its recognition and validation, including through audit.	After adopting the general framework and implementing IFRS on global level, the corporate governance and the information asymmetry have gained credible value through the use of commitment accounting with the identification of economic consequences on the process of investing and managing capital costs. We consider that the conservatism in the global economy is a process meant to hinder accounting practice and this process must be minimized on a clear normative basis, allowing the traceability of accounting information after using the principles included in the normative acts.

Figure 1 The conceptual framework of the review

No	Authors	Concepts and findings	Criticism
7.	André, P. , Filip, A. and Moldovan , R., 2016	The authors focus on the segment of quantitative and qualitative disclosure of accounting information, commenting on the vulnerabilities generated by the processing and reporting of a very large amount of information within its quality. The authors develop a statistical analysis model of the accounting information for the advanced information users and present in detail the aspect arising from the relationship of quantitative-qualitative disclosure of accounting information on the economic performance segments encountered in the current activity of the economic agents.	The study is a large one. 600 companies were included in the analysis on which the inclusion and exclusion criteria were applied, led to a final sample of 270 valid companies for building the model. Even though the aspect of disclosing the quality accounting information is significant, we believe that the variables of the model had to be adjusted with at least one stationary economic indicator, which reflects the current situation and the volatility of quotations during the economic crisis period.
8.	Pelger, C., 2019	The author analyzes the conceptual framework revised in 2018 by the IASB for the qualitative updating of financial reporting, the repositioning of prudence in this updated table and the introduction of a tolerable level of uncertainty. The aspects regarding the prudence principle are analyzed separately, within the article, making a parallel with the opinions expressed in the specialized literature. The author writes a systematized scheme of the main characteristics introduced by the conceptual framework:	We consider the discussed issues very important, meant to highlight the importance of increasing the quality of financial reporting, including by applying the principle of prudence, clarified from a conceptual point of view by the IASB. We appreciate that the presented study, with the limitations assumed by the author, can be a clarifying work on the fundamental aspects of the fundamental characteristics of the accounting information.

No	Authors	Concepts and findings	Criticism

According to the analysis of the specialized literature, we appreciate that the principle of prudence represents a topicality for professional accountants, both by the newly defined regulatory nature starting with 2018, and by the market reality, respectively the manifestation of the economic crisis in Romania.

3. Methods and methodology

The entities listed in the BET-TR section (Bucharest Exchange Trading Total Return Index) [3] are 17, namely as: Banca Transilvania S.A.; Fondul Proprietatea; OMV Petrom S.A.; S.N.G.N. Romgaz S.A.; BRD - Groupe Societe Generale S.A.; S.N.T.G.N. Transgaz S.A.; Societatea Energetica Electrica S.A.; Digi Communications N.V.; S.N. Nuclearelectrica S.A.; C.N.T.E.E. Transelectrica; Medlife S.A.; ALRO S.A.; Purcari Wineries Public Company Limited; Conpet SA; Bursa de Valori Bucuresti SA; Teraplast SA; Sphera Franchise Group.
A number of 14 entities for which there are financial data reported during last 3 years (2016-2018) from these above 17 listed companies could be introduced in this study. The 4 entities excluded from the study are:
- Fondul Proprietatea;
- Digi Communications N.V.;
- Purcari Wineries Public Company Limited
- Sphera Franchise Group.

The 3-year financial statements have been collected for the entities included in this study, which indicates the economy's overall upward trend until the last reporting period. The capitalization of the BET-TR index is 30944.193 million lei, for which the liquidity factors, the correction factor and the most recent representation factor were adjusted on 17.03.2020.

Thus, Banca Transilvania S.A. suffered a negative representativeness adjustment of 0.6%, while the other analysed entities, with the exception of S.N. Nuclearelectrica S.A., Societatea Energetica Electrica S.A. and Sphera Franchise Group, did not undergo adjustments according to Table 2.

Table 2: BET-TR index's last adjustment and its structure

Name	Stocks (mill. pieces)	Reference price	Free Float Factor	Represen-tation factor	Correc-tion Factor Price	Weight
Fondul Proprietatea	7613.97	1.15 lei	1	0.91	1	25.45%
Banca Transilvania S.A.	5215.92	1.83 lei	1	0.609	1	18.57%
OMV Petrom S.A.	56644.11	0.2815 lei	0.3	1	1	15.28%
BRD - Groupe Societe Generale S.A.	696.90	12 lei	0.4	1	1	10.68%
S.N.G.N. Romgaz S.A.	385.42	26.85 lei	0.3	1	1	9.92%
S.N.T.G.N. Transgaz S.A.	11.77	227 lei	0.5	1	1	4.27%
Societatea Energetica Electrica S.A.	345.94	8.7 lei	0.4	1	1.000173	3.85%
Digi Communications N.V.	100.00	27.8 lei	0.4	1	1	3.55%
S.N. Nuclearelectrica S.A.	301.51	11.5 lei	0.2	1	1.000086	2.21%
C.N.T.E.E. Transelectrica	73.30	15.5 lei	0.4	1	1	1.45%
Medlife S.A.	22.15	29.4 lei	0.6	1	1	1.25%
Purcari Wineries Public Company Limited	20.00	18.5 lei	0.8	1	1	0.95%

ALRO S.A.	713.78	1.2 lei	0.3	1	1	0.82%
Conpet SA	8.66	58.4 lei	0.4	1	1	0.65%
Bursa de Valori Bucuresti SA	8.05	22.8 lei	1	1	1	0.59%
Sphera Franchise Group	38.80	14 lei	0.3	1	1.025829	0.53%

Source: http://www.bvb.ro/FinancialInstruments/Indices/IndicesProfiles .aspx?i=BET-TR

The evolution over the last calendar year of the index clearly reflects the inflexion point due to the changing economic situation in Romania, this evolution being graphically represented in the Figure 1.

Figure 1: The trend of the last calendar year for BET-TR (lei)
Source: http://www.bvb.ro/FinancialInstruments/Indices/ IndicesProfiles.aspx?i=BET-TR

The financial data collected over a period of 3 calendar years for all the 14 accounting entities included in this study have shown that they were significantly affected during the analysed period, especially regarding the efficiency indicators (net result) of the companies in the sphere of the oil processors industry as well as in the health services field. From the net result indicator point of view, the most efficient companies are the energy ones, C.N.T.E.E. Transelectrica having the first position in the top, with an average annual increase of the result of 117.5%.

Regarding the value of the subscribed paid capital, its trend was a constant one, excepting four economic agents (among which the Transilvania Bank, with an annual average reduction of the share capital of 11.9% and Teraplast SA, whose average annual reduction is of 23.5%). The other two operators, Medlife S.A. and Bursa de Valori Bucuresti SA, suffered an average annual reduction below 5.0%.

At the level of equity, the annual average reduction covers approximately 57% of the analysed sample, the average value of the reduction of equity being 7.55%. For the rest of the cases, the equity has had an increasing trend, with an average growth of 6.6%.

This information, corroborated with the other financial indicators (turnover and operating income), generates the pessimistic picture of the economic activity of the analysed actors, finding their vulnerability before the economic crisis started.

From the financial table point of view, we record reductions for all economic agents, excepting Electrica S.A., at an average annual value of 8.2% (for operating revenues) and 7.8% (for turnover) respectively. In the case of Electrica SA, under the aspect of efficiency, it registers reductions of the result of 5.53%. In contrast, inexplicably, the turnover suffers an increase of 1026% per year, and the debts of the entity carry a capitalization rate of 282.88% per year. The value of the entity's stock is declining, marking the inflexion point on March 2020, according to Figure 2.

Figure 2: Trend value of Transelectrica S.A. (lei)
Source: http://www.bvb.ro/FinancialInstruments/Details/Financial InstrumentsDetails.aspx?s=TEL

According to data from Figure 2, we consider Transelectrica S.A. an exception that can significantly affect the model results and, as a result, this entity will also be eliminated from the statistical calculations, being not representative.

The collected data were centralized in an Excel database whose structure contained the financial and balance sheet indicators for all 12 listed economic agents remaining in the study after applying the exclusion criteria. The annual dynamic evolution averages of the following indicators were calculated:

- Debts to be paid within one year;
- Debts to be paid over a period of one year;
- Paid subscribed capital;
- Equity;
- Net turnover;
- Operating income;
- Net result.

The resulting values generated the general table of evolution under the conditions preceding the economic crisis, respectively under the economic factors' influence during 2016-2018. For the listed companies in the study, the table is a predominantly negative one (see Table 3).

Table 3: The average annual evolution trends of the economic-financial indicators for the analysed companies during 2016-2018

Company	Debts to be paid within one year	Debts to be paid over a period of one year	Paid subscribed capital	Equity	Net turnover	Operating income	Net result
BANCA TRANSILVANIA S.A.	-15.68%	-15.68%	-11.90%	-9.63%	-10.72%	-10.72%	0.37%
OMV PETROM S.A.	-21.06%	55.65%	0.00%	-7.11%	-14.86%	-14.06%	-38.30%
S.N.G.N. ROMGAZ S.A.	-11.30%	50.00%	0.00%	13.33%	-15.64%	-11.52%	-12.35%
BRD - GROUPE SOCIETE GENERALE S.A.	-2.64%	-2.64%	0.00%	-6.55%	-5.82%	-5.82%	-26.45%
S.N.T.G.N. TRANSGAZ S.A.	-14.96%	-35.56%	0.00%	1.68%	0.24%	-5.74%	9.98%
S.N. NUCLEARELECTRICA S.A.	-14.27%	29.52%	0.00%	2.28%	-11.30%	-12.07%	-36.31%
C.N.T.E.E. TRANSELECTRICA	-1.41%	83.05%	0.00%	5.62%	0.03%	-0.15%	117.50%
MedLife S.A.	-7.15%	-15.62%	-4.64%	-20.76%	-9.30%	-9.08%	-144.31%
ALRO S.A.	27.21%	-34.22%	0.00%	-3.76%	-9.04%	-11.13%	-35.13%
CONPET SA	-7.18%	43.58%	0.00%	10.14%	-0.45%	-0.80%	8.96%
BURSA DE VALORI BUCURESTI SA	-11.78%	0.00%	-2.33%	-5.75%	-9.16%	-9.28%	-10.48%
TERAPLAST SA	-41.23%	-40.24%	-23.54%	-5.92%	-7.33%	-7.78%	19.11%

The obtained data, as well as the evolution of the BET-TR quotation, require an adjustment of the evolution trends of the main financial indicator (net turnover) with a negative value estimated at 30% of the current calculated trend value based on the annual averages evolution of the financial indicators for the 12 analysed economic entities. The thus obtained values of the adjusted net turnover are introduced as dependent variables in the econometric model defined as follows:
BAYES CORRELATION
 /MISSING SCOPE=PAIRWISE
 /CRITERIA CILEVEL=95
SEED=RANDOM
MCSAMPLES=1000000
TOL=0.0001
MAXITER=2000
POSTSAMPLES=1000000/
INFERENCE VARIABLES

- Adjusted_net_turnover
- Debts_to_be_paid_within_one_year
- Debts_to_be_paid_over_a_period_of_one_year
- Paid_subscribed_capital
- Equity
- Net_turnover
- Operating_income
- Net_result

ANALYSIS=BOTH MAXPLOTS=10 CVALUE=0
The Bayesian correlation values based on the interference factor show that there is a direct correlation of the regression dependent value with the values of the financial regressors (operating income) at a high level of statistical significance (91.5%) and a low correlation with a level of statistic confidence below 50% for balance sheet indicators (short and medium term debt, paid-up subscribed capital and equity). The unadjusted value of the turnover is correlated to a confidence level of over 90% with the adjusted value of the same turnover (see Table 4).
The modelled data in the simple series are subject to the characterization of the subsequent distribution based on the correlations on the pairs of data, obtaining matrix values of the correlation of the dependent variable with the regressing variables, which reflects in detail the correlations with the financial indicators of the adjusted net turnover and the poor correlation with the balance sheet assets

indicators (see Table 5).

Table 4: Bayes Factor Inference on Pairwise Correlations (N=12)

Variable	Test	Adjusted net turnover	Variable	Test	Adjusted net turnover
Debts to be paid within one year	Pearson Correlation	.129	Net turnover	Pearson Correlation	1.000
	Bayes Factor	4.299		Bayes Factor	.000
Debts to be paid over a period of one year	Pearson Correlation	-.048	Operating income	Pearson Correlation	.915
	Bayes Factor	4.609		Bayes Factor	.001
Paid subscribed capital	Pearson Correlation	.080	Net result	Pearson Correlation	.511
	Bayes Factor	4.516		Bayes Factor	1.094
Equity	Pearson Correlation	.227			
	Bayes Factor	3.612			

Table 5: Posterior Distribution Characterization for Pairwise Correlations (N=12)

Variable	Test		Adjusted net turnover	Variable	Test		Adjusted net turnover
Debts to be paid within one year	Posterior	Mode	.123	Net turnover	Posterior	Mode	1.000
		Mean	.095			Mean	1.000
		Variance	.066			Variance	.000
	95% Credible Interval	Lower Bound	-.403		95% Credible Interval	Lower Bound	1.000
		Upper Bound	.581			Upper Bound	1.000
Debts to be paid over a period of one year	Posterior	Mode	-.045	Operating income	Posterior	Mode	.907
		Mean	-.035			Mean	.858
		Variance	.067			Variance	.007
	95% Credible Interval	Lower Bound	-.525		95% Credible Interval	Lower Bound	.696
		Upper Bound	.466			Upper Bound	.976
Paid subscribed capital	Posterior	Mode	.077	Net result	Posterior	Mode	.493
		Mean	.059			Mean	.402
		Variance	.067			Variance	.051
	95% Credible Interval	Lower Bound	-.439		95% Credible Interval	Lower Bound	-.045
		Upper Bound	.550			Upper Bound	.803
Equity	Posterior	Mode	.217				
		Mean	.169				
		Variance	.064				
	95% Credible	Lower Bound	-.322				

Interval	Upper Bound	.646

The correlation diagrams of the dependent variable with the regressors are shown in the Figure 3.
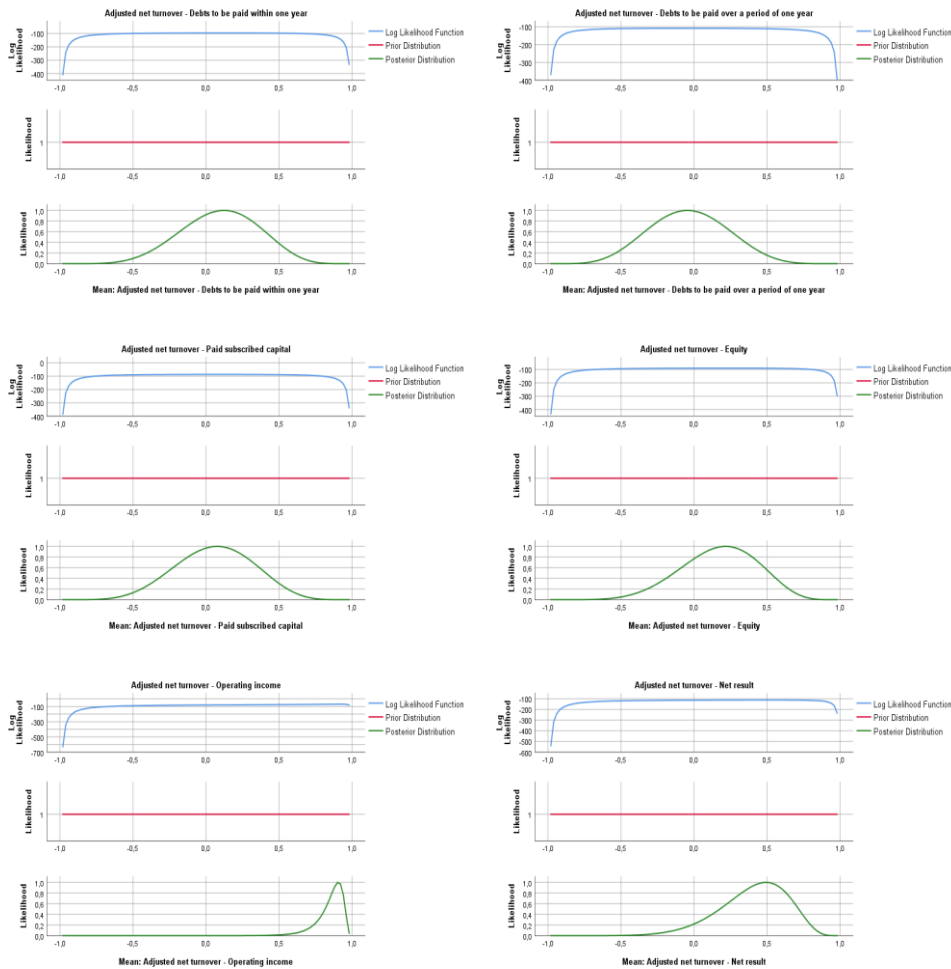

Figure 3: Diagram of the regression variables' correlation curves in relation to the dependent variable

According to the proposed model, it finds the need for an accounting decision making regarding the adjustment of financial indicators for all analysed listed entities, by reference to the current economic reality (economic crisis).

The values of the heritage indicators contain redundant resistance based on previous accumulations and will undergo changes in the next period (after a

semester of economic crisis). This aspect also confirmed by the non-correlations with the variations of the financial indicators requires more than anything an accounting approach based on the prudence principle, which could prevent the unhealthy economically fluctuations based on irrelevant adjustments of the patrimonial indicators in the first wave, respectively when producing the financial indicators disturbance.

4. Results and discussion

According to those mentioned earlier in Chapter 3, we performed an analysis based on the frequency series of the proposed variable (net turnover adjusted to crisis conditions) and obtained, in relation to the patrimonial and financial indicators, a distribution that confirms the direct impact of the turnover on the economic activity as a whole and individually, on each patrimonial and financial analysed element.

The paid-up subscribed share capital represents a patrimonial indicator that quantifies the value of the shareholders' contribution in the entity. This value reflects both the power of the company and, by reference to the number of shares, the nominal value of the share at the initial subscription rate. A stable unitary value can be obtained, compared to the market value of the shares, which uses the principle of fair value in financial reporting. The differences between fair value and equity may be attributed to goodwill or badwill management. During the economic crisis and according to the evolution trend of the analysed entities, we are talking about the accumulation of a dangerous badwill supplemented by a strong decreasing trend in the first quarter of 2020, which needles will be a predictable element of adjustment for which the principle of prudence can be applied.

The correlation between the adjusted net turnover and the variation of the social capital is proportional, in the sense that a reduction of the social capital implies in all cases the reduction of the net turnover, while a maintenance may have the effect of increasing the turnover or an insignificant decrease of the due to the economic situation.

We did not have cases of share capital increasing in the analysed sample during 2016-2018, but we suppose that they would have been accompanied by an increase of the turnover. The data are graphically centralized in Figure 4.
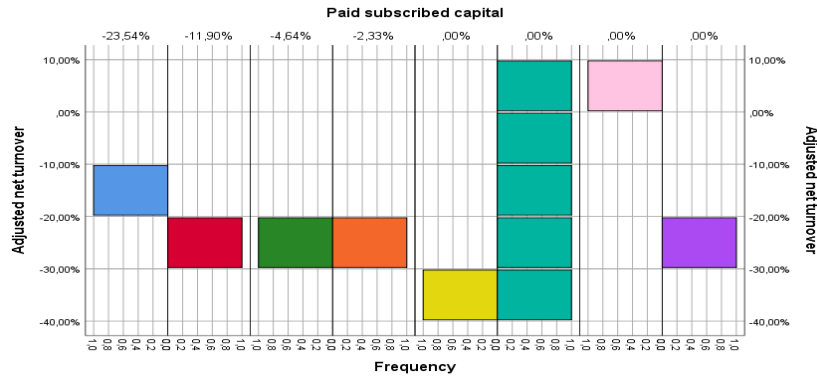
Figure 4: Analysis of the trend correlation between the adjusted net turnover
and the share capita

Unlike turnover, the equity indicator is much more correlated with turnover both because the equity's value can be expressed as equity return of shares, but also because this indicator combines the economic efficiency and return of the entire activity of the entity on average periods of time (3-5 years), representing a quintessence of the managerial and economic policies of the entity. There is a direct correlation in the sense of the proportional increase of the net turnover (positive values) with the increase of the own capitals (positive values) and vice versa, the decrease of the turnover in relation to the decrease of the own capitals according to Figure 5.
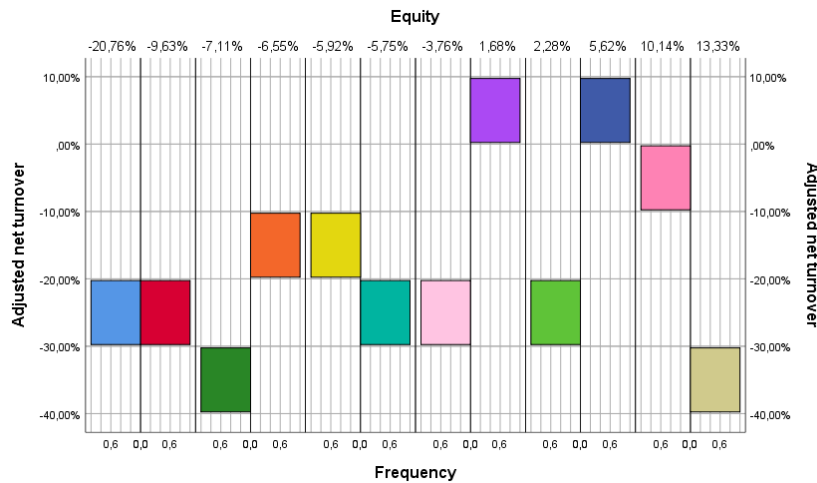

Figure 5: Analysis of the trend correlation between the adjusted net turnover
and the own capitals

Considering the economic crisis, the value of the patrimonial elements'

adjustments will be globally reflected in the adjusted value of the own capitals by their accumulation, being credible the methodology if the prudence principle will be applied.

The elements like the debts' nature are inversely proportional to the adjustment of the turnover by their nature. Under crisis impact, the debts' value tends to increase and, as a result, the initially inversely proportional function is affected so that there are, on most levels of frequency of accumulations or debt reductions, reductions in turnover (see Figure 6).

The value of the net result is a result of the overall economic activity and of the commercial exchanges reflected directly by the turnover. Thus, the correlation turnover-net result is directly proportional in the sense of increasing the amplitude of the net result in parallel with the increase of the turnover and the decrease of the result in parallel with the same evolution of the turnover.
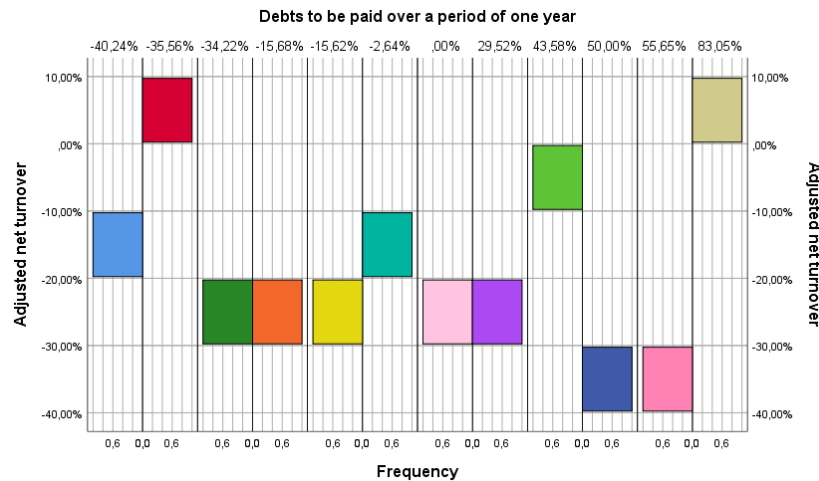

Figure 6: Analysis of the trend correlation between the adjusted net turnover and the long-term debts

The aspect is highlighted graphically and leads to the hypothesis that the prudential adjustments made on income elements and expenses will realistically reveal the predictable value of the net result (see Figure 7).
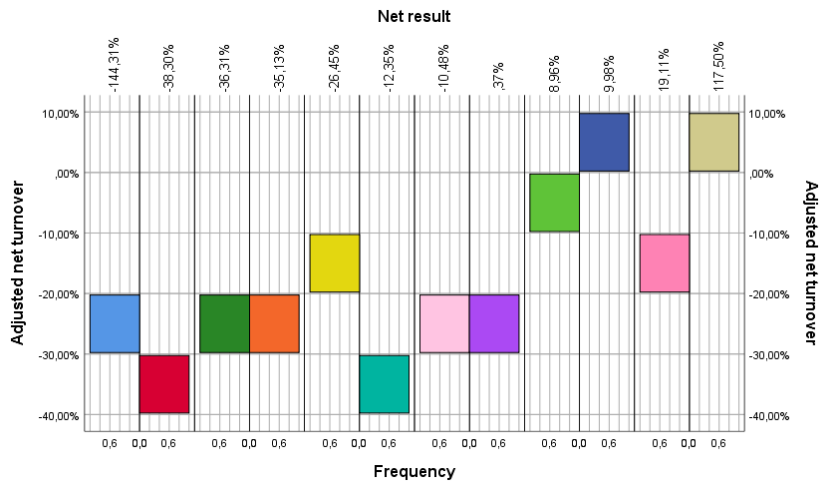
Figure 7: Analysis of the trend correlation between the adjusted net turnover
and the net result

The study shows the importance of correctly assessing the economic situation during the economic crisis induced by the Covid 19 pandemic and ensuring the traceability of accounting information, by applying the principles of IAS 8 and, in particular, the principle of prudence.

5. Conclusion

The presented study showed that, during the economic crisis, the impact of listed entities requires the adoption of additional measures to economic recovery in the sense of restoring financial statements on a credible basis, quantifying the necessary adjustments and applying them in accordance with accounting principles, especially prudence.

The applied methodology allowed to verify, under conditions of statistical allegory, the accounting information of the correlations between the turnover after adjustment and the trend variations of the patrimonial and financial indicators.

The proposed model is useful for the management of the economic entities, in order to apply the optimal strategy and credibility of accounting information in a period affected by the economic crisis.

The limits of the model consist in its application on a small scale, only 14 listed entities being taken into account when establishing the BET-TR index. This model can be extended, its results can be multiplied both horizontally (number

of variables) and vertically (number of entities).

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