

# The Professional Judgment of the Financial Analysts Regarded from the Perspective of Accounting through the Interview Method

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**Abstract:** *The demarches of the research are based, besides the visions of the quantitative filtration also on the qualitative side of the scientific field of research. The qualitative research represents the focus of more methods, involving an interpretative, naturalist approach over the studied subject. This means a study of things in their natural environment, trying to understand each other or to interpret the phenomenon in the meaning that people invest in it. The qualitative research involves the use and collection of a variety of empirical materials (Denzin & Lincoln, 1994, p. 2) in which the interview is significantly highlighted.*

**Key-Words:** *accounting information, accounting professionals, theories of accounting, qualitative research, interview*

## 1. Introduction

„The interview is the angled stone of the qualitative methodology and one of the most used data collection techniques. The interview technique allows the profound and nuanced understanding of a human being and its relationships with the world or the points of view specific to certain groups” (McCracken, 1988).

“The interview technique, beside the fact that it represents a major importance establishment within research, it represents also an instrument used at a qualitative level in various ways” (Briggs, 1986, p. 2).

In order to aid the realized actions for the development of our research based on the perception over the professional judgment we have continued our demarches by applying the interview technique by having in the position of interviewed persons financial analysts from working fields of distribution, production, commerce and consultancy and management services. A particularization of the perception of the professional judgment was aimed at through the exposure of the complex character of the professional judgment used by the financial analyst.

The applied type of interview is semi-directional, oriented on the chosen thematic, providing to the interviewed person both a scientific framework preset and certain flexibility in approaching the proposed subjects.

Based on multiple factors, the interview captures the statute of a documentary interview, personal, with open questions, planned and focused, in accordance with Fig.1.

*Fig. 1. The applied interview labels*



Source: issued by the author

## **2 Steps made for the research and the formation of the working hypotheses.**

The steps made within this operation of qualitative research are as follows:

- Initial theoretical research that leads to the option of applying the interview method;
- The theoretical documentation specific to the interviewing techniques;
- Establishing the representative sample;
- Issue the interview file;
- Drafting the interview guide;
- Contacting the domain specialists;
- Actual performance of the interview;
- Centralization and interpretation of the provided answers;
- Forming the conclusions and validation/invalidation of the established hypothesis.

Through the interview of the financial analysts we aim at obtaining conclusive information regarding the research leads that we have set at the beginning of this paper.

Thus, the applied research interview becomes “a technique to obtain, through questions and answers, verbal information from the individuals and human groups in order to verify the hypothesis or for the scientific description of phenomenon” (Chelcea, 2001, p.122).

In the construction of the validation or invalidation demarche of hypothesis we used the answers provided by 20 financial analysts with a working experience between 5 and 10 years.

The hypotheses are formulated as follows:

First Hypothesis: The substantiation of the professional judgment of the financial analysts involve, besides the accounting information, other categories of information

Second Hypothesis: Knowing the reference Theories of accounting and finance consolidates the professional judgment of the financial analyst.

Third Hypothesis: Knowing the legal framework legitimates the professional judgment used by the financial analyst.

The interview file comprises of two categories of information:

- The identification fields related to the gender, job, work experience, interview duration
- The actual questions issued by the researcher.

The composition of the question aimed at focusing on the research elements found in the hypothesis. Based on the content of the answers provided to these questions the following information is getting shaped regarding the professional judgment of the financial analyst:

- The definition and particularities of the professional judgment;
- The factors that lead to the use of the professional judgment;
- The most often situations occurred that require the use of the professional judgment;
- Types of information that support the substantiation of the professional judgment;
- The reference theories that serve as support for the beginning of the activity;
- The limits and constraints that can emerge in the use of the professional judgment.

Within the interview guide, the interviewed persons are being informed that the purpose of the interview is to provide information specific to their perception of the professional judgment.

Also, they are being informed that their answers will be centralized and interpreted within a scientific research, while their confidentiality will be ensured.

The financial analyst is participating to an interview for half an hour, time in which he will answer to the set of questions and can ask for additional information from the interview operator, in the posture of the researcher, confirming that “the interview of research represents an expansive experience for the interviewed person which, through the interaction with the researcher, obtains a new perspective of the subject in the research” (Kvale, 1996).

### **3 Results and discussions**

“The interview represents the most often and the most valuable method of qualitative research” (Bratucu & Bratucu, 1996, p. 49). The results obtained after the centralization of the answers provided by the 20 financial analysts gives a particularization of the domain highlighted by the professional judgment, emphasizing the following aspects:

#### **✚ The financial analyst’s vision over the professional judgment**

At the question related to the vision of the financial analyst over the professional judgment, most of the respondents have considered that the professional judgment represents the ability to judge, to correlate and interpret in certain situations in order to form conclusion on which decisions are being made.

Another vision shaped after the answers is associating the professional judgments with the personal ability to analyze and act accordingly to the unknown factors and various circumstances, that are not regulated and do not have any history of resolution of a predetermined finality.

The financial analysts have appreciated that the professional judgment correlated with this function is materializing particularly in applying the accumulated knowledge by stages of preparation on the financial statement, accounting and in current reports in order to establish a pertinent decisional package.

The interlocutors stated that the professional judgment of the financial analyst is practically overlapping the job’s description. Without the ability to analyze the rates and without understanding the information needed to be used, the financial analyst cannot do his job.

The particularities consist of the need to thorough understand the financial statements and the rates that are being used, in the ability to synthetize and process the information received and the ability to put it into practice in order to be used for the accounting analysis, management analysis etc.

In accordance with the opinions that were formulated, the professional judgment is the main advantage of the financial analyst. The financial analyst must be an analytical person with a solid database of knowledge on which to rely its judgment.

The professional judgment of the financial analyst includes a developed spirit of observation that contributes to a good relationship between the analyzed elements, having a good capacity to present the information in a relevant structure of a report.

The materialization of the interviewed specialist's opinions points out that the financial analyst has the professional judgment as main resource. Without the ability to analyze, interpret and present a set of data, the added value of his activity does not exist.

### **Factors that lead to the use of the professional judgment**

To the question regarding the factors that determine the use of the professional judgment of the financial analyst a unanimous confirmation has been recorded for the following factors:

- **The legal framework** determines directions of the use of the professional judgment through regulations, ethical conducts and legal acts that exist in their domain;
- **The professional training** of the financial analyst (the accumulated experience and working experience foregoes a solid background in performing their activity at an optimal level and impose the existence of an analytic spirit, organized, but also the existence of a professional skepticism and the ability to understand why there is a result instead of another);
- **Continuous training** (preoccupation of the financial analyst to keep up to date with all legal regulations and to permanently strengthen his theoretical and practical knowledge gathered at that point leads to perfecting the professional judgment and enrich the professional judgment of the employee).

### **Highlighting the circumstances that impose the use of the professional judgment**

Following the centralization of the answers provided by the interviewed financial analysts we iterate some of the circumstances that require the use of the professional judgment:

- The establishment of trends, variations from the budgets or previous periods, for comparison with reference values;
- The interpretation of the information, it's processing and analysis;
- The issue of reports with essential information;
- Evaluation of the financial instruments;
- The computation of specific indicators for their activities;
- Budgeting activities;
- Update of the business plan;
- Identification of profitable investments;
- The collaboration with other departments in order to issue the analysis reports;
- The proposal of solutions for the issues found in their activity;
- The presentation of expansion perspectives for the development of the company;
- Fulfillment of their tasks and objectives provided by the jobs description;
- The realization of financial forecasts;
- The monitoring of the company's activities;
- The development of strategies in the financial and accounting fields.

The financial analysts have highlighted the fact that the professional judgment has a character of an activity continuously undertaken, therefore we can conclude that the exercise of professional judgment presents an intrinsic character.

### **The substantiation of the professional judgment strictly on the accounting information**

At the questions related to the substantiation of the professional judgment exclusively on the accounting information, the interlocutor have unanimously answered that activity carried on the accounting information do not have an exclusive character and so, beside it, the financial analysts use complementary

information regarding financial analysis, mathematics, informatics, marketing information, management, budgeting, market, information based on trends and macro-environment, and also other extra-accounting information. Also, the accounting information but not only also has a major impact on the accounting, financial, economic information.

Regarding of accounting services, they have developed continuously, in the same time with business environment and, as a result, the major accounting companies had adapted their capacity and expertise to the information needs of their customers and to the services required by them (Sudacevschi, 2016, p. 719).



### **The identification of the reference theories that come to aid the use of the financial analyst's judgment**

The economy of information is neither perfectly shaped nor satisfying. It supposes sophisticated maximizing behavior that leads to the signing of complex agreements that are not found in practices (Grigore, 2009, p.374).

Following the question meant to identify what are the reference theories that come to aid the use of the professional judgment has revealed that the financial analysts are not aware of the reference theories of accounting and finance.

All the interviewed persons have stated that they are not aware of such theories.



### **Limits and constraints of the professional judgment**

The financial analysts have concluded that the limits and constraints of the professional judgment are firstly determined by regulatory procedures and the availability of the information. Another situation could be when no way of action can be recommended based on the information received due to the fact that the information is incomplete or far too complex.

The limits of the professional judgment for a financial analyst can be given by the amount of information available to him but also limits imposed by the decisional factor to which the analysis report is intended.

The interviewed persons have considered also that the insufficient preparation and processing time of the data can be a limitation, along with the pre-established deadlines, with the informatics systems that does not cover the whole process of computation and management of the financial situations, and an insufficient training can also be looked at as a limitation.

## **4. The conclusions of the qualitative research based on the interview**

The qualitative research applied in the case of 20 financial analysts has come to aid the sustaining of the initially formulated hypothesis. The demarche made by the structure of the interviews generated by the interviewing technique has led to the shaping of a complex image regarding the professional judgment of the financial analysts.

Two of the three hypotheses established have been validated after the highlighting of the particularized answers on the domain of the financial analysts' domain, therefore, in the following analysis we conclusively look at the results obtained that have directed these ways of the realized demarche.

*The first hypothesis regarding the substantiation of the professional judgment of the financial analyst which involved beside the accounting information, other categories of information* has been validated as a result of the appreciation of the responses given by the 20 financial analysts.

The categories of information presented by the respondents include information from the domains of financial analysis, mathematics, informatics, marketing, management, budgeting information, market, information based on economical tendencies and also other extra-accounting information.

Out of the 20 respondents, 17 have stated that mandatory in the activity of the financial analyst is the information related to the financial and accounting analysis and those related to place that the company has in the market in which the financial analyst activates. These categories of information stand at the foundation of the used of the professional judgment in the general character working tasks and are part of the usual activity of the financial analyst.

The validation of the first hypothesis established in our qualitative research had a predictable character if we take into consideration that the professional demarche undertaken by the financial analysts has a complex

character therefore it draws into carrying the activities a plethora of information divided in categories by domains and the served purpose.

*Another hypothesis* initially formulated is the one referring to *knowledge of the reference accounting and financial theories that leads to the consolidation of the professional judgment of the financial analysts.*

This hypothesis has been invalidated due to the answers provided. Therefore, with a unanimously answer, 100% of the financial analysts have stated that they have no knowledge of the reference accounting and financial theories that could be useful in managing the professional judgment.

This fact occurred due to the lack of information at the organization's level regarding the financial and accounting culture and the conceptual fundament that determines the activity carried out. The financial analysts are situated in the posture of applying the reference financial and accounting theories but at a theoretical level they do not possess the knowledge to aid them in positioning and punctual association with the important theories.

*The third hypothesis* is referring to *knowledge of the regulatory framework as an element that legitimates the professional judgment used by the professional judgment* has been validated through the answers provided by the interviewed financial analysts.

After the identification and centralization of the analysts' answers we have concluded that a real advantage, at an organizational level, is the knowledge of the regulatory framework that, through the support offered by the professional training is legitimating the professional judgment of the financial analyst.

Out of the persons interviewed, 16 financial analysts stated that a major importance in the use of the professional judgment is the regulatory framework that supports and guides the functional processes of the company and the professional training that significantly influences the quality of decisions in the working processes.

In addition, the financial analysts have appreciated in the formation of the professional judgment that the continuous training as an extension of the professional training leads to achieving the targeted objectives at an organizational level.

Through the qualitative research regarding the construction of the professional judgment of the financial analysts carried out by us, we have obtained a particularization of the professional judgment of the financial analysts by exposing definitions of the professional judgment from the point of view of the interview's participants, factors and circumstances that determine the use of the professional judgment, information that comes to aid the building of this type of judgment and also the identification of the limits and constraints that are being taken into consideration in their activity by the financial analysts.

We have obtained, through the interaction with the financial analysts, valuable information that guides the trajectory of our research towards conclusive results that involve multiple elements on new through the perspective of the general and particular research.

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