Third Sector: Accounting Tools

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Abstract—It is essential, in a Third Sector Organization, to be results-oriented, despite not having the focus on profit. The institution must have the perception that their efforts lead to a good result. Organizational practices should exhibit knowledge, accountability, vision and the organization's mission, expressed in strategic planning. The result is a process that promotes the growth of critical leadership and develops direct evidence of organizational impact. The article examines managerial accounting tools used by Organizations of the Third Sector, proposing to confirm hypotheses regarding the relation between accounting practices adopted with the managers educational level, with the operating time of the respondents in Organizations, with the size of Organizations, with the qualification as CSOPI (Civil Society Organization of the Public Interest) and the characteristics of the model for evaluating the performance of a CSOPI. The methodology includes application of interviews with managers of the selected organizations, as well as technical documentation indirectly by desk research and literature. The research was conducted in the metropolitan area of Recife with 21 of the 66 registered Organizations. The statistical analysis was based on descriptive analysis of data, by measuring the position (mean, median and mode), dispersion (standard deviation) and compared the frequency (proportion and percentage). After that, two tests for nonparametric hypotheses were applied. As a result, the study shows a positive correlation between the following variables: a) Level of education of managers and benchmarking practices; b) Time of activity of respondents and the use of quality measures group; c) Organizational Size with: the use of the social balance sheet in accountability to the cooperation agencies; the use of the acknowledgment of changes in equity on accountability to the cooperation agencies; using the project progress report in accountability to the cooperation agencies; the way to evaluate its results; d) Qualification as CSOPI with: accountability to the community, using the balance sheet accountability to donors; the use of the statement of financial accountability to donors; the use of the social accountability donors; the use of explanatory notes in accountability to donors; the use of the acknowledgment of variation of net worth in accountability to donors; The lack of information for generating indicators.

Index Terms—Third Sector, CSOPI, organizational practices.

I. INTRODUCTION

Records of philanthropic activities were identified in Ancient China, in ancient Egypt, in ancient Greece and India. The 'primitive' Christian Church also established funds to assist the orphans and widows, whose contribution used to come from wealthy people [1]. In XIX century, Catholic and Protestant churches that developed philanthropic activities for at least a hundred years, had a close connection with social organizations, constituted mostly of orphanages, nursing homes, hospitals, schools, and other associations for the benefit of needy community [2].

In Brazil, records of the Third Sector date back to the Imperial period. This concept was developed during the First Republic, through social actions of religious feature, which suffered a strong influence of Portuguese colonization and the domination of Catholic Church. The period between the 30s and the 60s was marked by the first law that regulated the procedures for declaration of Federal Public Utility, and the National Council of Social Service, signed by Brazilian President Getúlio Vargas in 1935. In the early 70s, new social philanthropic actions performed by privileged families of society were consolidated. Following the 90s, with the strengthening of civil society, the Third Sector Organizations grew steadily, redefining a new model of relationship between society and the state [3].

The Civil Society Organizations of Public Interest (CSOPI), a public title, conferred by the federal government, which can be obtained by civil associations and foundations under private law by completing the requirements and procedures established by the Law No. 9.790/99 is noteworthy in this study, because since the creation of the Law N. 9.790/99, was instituted a legal mark of the Third Sector [4].

According to the Handbook of Legal Administration, Accounting and Finance for Non-Governmental Organizations[5]:

"Law sought to recognize the public nature of a number of civil society organizations previously unrecognized by the state, creating a new classification system, which also sought to differentiate Nonprofit public interest from those of mutual benefit (to a limited number of associates) and commercial character. "

Although Law No. 9.790/99 enter a new classification system, the Handbook of Legal Administration, Accounting and Finance for Non-Governmental Organizations points out that the qualification of the Organization as CSOPI does not invalidate its registration as civil association or foundation; being thus, its laws prevail simultaneously [4], [5].

The age of information has brought urgency for change in business organizations. The competitive advantage no longer holds with the allocation of new technology and physical assets, and the excellence of effective management of financial assets and liabilities. This new organizational scenario requires not only modernized and efficient methodologies of management, as also suggests new techniques that enable a better organizational orientation.

In the decades prior to the eighties, the macro-environment of non-governmental organizations that make up the Third Sector was characterized by the excessive amount of

financing sources and undemanding as regards to the effectiveness and impact on the results. This context led to a lack of concern about strategic management from these organizations.

It is essential, in a Third Sector Organization, be results-oriented, despite not having the focus on profit. The institution must have the perception that their efforts lead to a good result. Organizational practices should exhibit knowledge, accountability, vision and mission of the organization, explicit strategic planning. The result is a process that promotes the growth of critical leadership and develops direct evidence of organizational impact.

Another item to be observed, concerns to budgets. References [6] shows, preparation of various budgets allows the manager to better visualize the allocation of resources and coordination of their activities. The budgets imply procedures adopted by firms to achieve the desired levels of profit, enabling managers to make wider predictions of situations that may occur in a given period. At the end, there will be an assessment of the resources defined in the budget to establish the administrative performance.

The article aims to analyze the management accounting tools used by organizations of the Third Sector, proposing to confirm hypotheses related to the relationship between the accounting practices adopted and educational level of managers, the time of action of the respondents, the size of organizations, qualification as CSOPI, features of a model for evaluating the performance of a CSOPI.

II. METHODOLOGY

The methodology includes interviews applied to selected managers of organizations, as well as technical documentation indirectly through desk research and literature. The research was conducted in the metropolitan area of Recife with 21 of the 66 registered organizations.

The methodological procedures used were exploratory studies (literature review and use of questionnaire) and documental research. The database provided by the Ministry of Justice and the Getúlio Vargas Foundation (Map of the Third Sector) was of great value.

The statistical treatment was based on descriptive analysis of data, by measuring the position (mean, median and mode), dispersion (standard deviation) and comparison of frequency (proportion and percentage). Then were applied two tests for nonparametric hypotheses: the Fisher Exact Test for issues that fall in a 2x2 contingency table and the Chi-Square test for the remaining issues.

Reference [7] shows that the Fisher Exact Test constitutes a non-parametric technique useful for analyzing discrete data (nominal or ordinal), when the sample size is small. Moreover, the Chi-Square test can be applied to determine the significance of differences between independent groups; the measurement may be even scaled nominal or classifier, which is the case of most of the research variables [7].

Reference [8] shows also highlights that, in selecting the non-parametric test, when employing the 2x2 table, it should be noted:

- When $N > 40$ (N is the number of observations), using the Chi-Square test with continuity correction (Yates' correction);
- When $20 \leq N \leq 40$, the Chi-Square Test may be used, as long as none of the expected frequencies be less than 5. If the smallest expected frequency is less than 5, it is recommended the Fisher Exact Test;
- When $N < 20$, use the Fisher Exact Test in any case.

Reference [7] shows that states that to reject the null hypothesis, it is usual to adopt a significance level of 0.05 or 0.01, although other values may be used. The level of significance is the probability of committing type I error, in other words, the probability that the true null hypothesis is being rejected.

In some cases, the significance level of 5% was relaxed having in mind that the results may reveal clues that deserve to be investigated in future studies. We employed the Statistical Package for Social Sciences - SPSS, version 19.0 for descriptive analysis and hypothesis testing.

III. RESULTS

The sample of the universe searched, Third Sector organizations, revealed the following characteristics:

- Institutional format - all the searched organizations (21) are civil associations; twelve of them possess a CSOPI (Civil Society Organization for the Public Interest) qualification;
- Existence time - most of them (52.4%) were instituted between two and five years ago, although the oldest one has been running for 55 years already;
- Size of the searched organizations - medium (57%); large (23.8%); small (19%);
- Position - 42.9% of the interviewed people act as an administrator; 19% are accountants and 4.8% are part of the council. Other (33%) are coordinators, treasurers and administrative consultants;
- Age - ranges from 24 to 61 years old. Median: 34 years old (used due to the sample doesn't adjust itself to the normal curve. Force center. Shapiro–Wilk test);
- Working time in the organization - 81% have worked for 5 years at the most and 14% around 10 and 15 years old;
- Number of employees and volunteers - 10 to 20 people (19.1%); 20 to 30 (23.8%); 30 to 40 (9.5%); more than 40 people (28.5%). It was found that the staff and volunteer board of the entities depends more of the projects they develop than of its size properly, confirming that, on the Third Sector, the number of people which integrate the organizations isn't a decisive factor of the entity size.

As regards the hypothesis test, it was noticed that:

Confirmed Hypotheses	Fischer's Exact Test/Significance Level	CHI-Square Test/Significance Level
There is no relation between "the level of education of the managers" and the managerial accounting practices adopted by the searched organizations. 1. Level of education of the managers and the benchmarking practices.	$p < 0.035$	The test has not been done.
There is a relation between "the working time of the respondents in the organizations" and the managerial accounting practices adopted by the	$p < 0.084$	$p < 0.053$

searched organizations. 1. Working time of the respondents and the use of the quality measure group.		
There is a relation between "the size of the organization" and the managerial accounting practices. 1. Size of the organization and the use of the social balance sheet on the accountability to cooperation agencies;	$\rho < 0.119$	$\rho < 0.058$
2. Size of the organization and the use of the statement of changes in net equity on the accountability to cooperation agencies;	$\rho < 0.04$	$\rho < 0.016$
3. Size of the organization and the use of the projects evolution report on accountability to cooperation agencies;	$\rho < 0.119$	$\rho < 0.058$
4. Size of the organization and the form of evaluation of its results.	The test has not been done.	$\rho < 0.051$
There is a relation between "the qualification as an CSOPI and "the managerial accounting practices" adopted by the searched organizations. 1. Qualification as a CSOPI and accountability to community;	$\rho < 0.056$	$\rho < 0.04$
2. Qualification as a OSCIP and the use of the balance sheet on the accountability to the donors;	$\rho < 0.029$	$\rho < 0.020$
3. Qualification as a CSOPI and the use of income statements for the fiscal year on the accountability to the donors;	$\rho < 0.071$	$\rho < 0.056$
4. Qualification as a CSOPI and the use of the social balance sheet on the accountability to the donors;	$\rho < 0.039$	$\rho < 0.027$
5. Qualification as a CSOPI and the use of explanatory notes on the accountability to the donors;	$\rho < 0.024$ $\rho < 0.027$	$\rho < 0.017$
6. Qualification as a CSOPI and use of the statement of changes in net equity on the accountability to donors.	$\rho < 0.006$	$\rho < 0.004$ $\rho < 0.01$
There is a relation between "the qualification as a CSOPI" and "the characteristics of the performance evaluating model" adopted by the searched organizations. 1. Qualification as a CSOPI and the insufficiency of information for generating indicators.	$\rho < 0,040$	$\rho < 0,027$

IV. CONCLUSION

The article analyzes the managerial accounting tools used by Third Sector organizations, proposing to confirm hypotheses relating to the link between the accounting practices adopted with the level of education of the managers; the working time of respondents in the organizations; the size of the organizations; the qualification as a CSOPI; and with the characteristics of the performance evaluating model of a CSOPI.

The methodology used includes the conduction of interviews with the managers of the selected organizations, as well as the technique of indirect documentation through documental and bibliographic research. The research was done in the metropolitan area of Recife with 21 of the 66 registered organizations. The statistical processing was based on the descriptive data analysis, through the measures of the central tendency (mean, mode and median), dispersion (standard deviation), and comparison of frequency (proportion and percentage). Subsequently, two nonparametric hypothesis tests have been applied.

As results, the study presents a positive correlation between the following variables:

1) Level of education of the managers and the benchmarking practices.
2) Working time of the respondents and the use of the quality measure group.
3) Size of the organizations with: the use of the social balance sheet on the accountability to cooperation agencies; the statement of changes in net equity on the accountability to cooperation agencies; the projects evolution report on accountability to cooperation agencies; and the form of evaluation of its results.
4) Qualification as a CSOPI with: accountability to community; the use of the balance sheet on the accountability to the donors; the income statements for the fiscal year on the accountability to the donors; the social balance sheet on the accountability to the donors; the explanatory notes on the accountability to the donors; the statement of changes in net equity on the accountability to donors; and the insufficiency of information for generating indicators.

The main limitations of the study refer to: the comparative data analysis; the sample selection (practical criteria); the analysis of some research questions couldn t be done in a conclusive form due to the sample size (force reduction of the Chi-square test).

Suggestions for future studies: reapply the study with more representative samples of Brazilian institutions, what will allow knowing better the managerial accounting practices adopted by the Third Sector organizations.

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